ANNUAL REPORT 2021

LAVAZZA GROUP

Company Officers

BOARD OF DIRECTORS

Alberto	Lavazza	Chairman
Giuseppe	Lavazza	Vice Chairmen
Marco	Lavazza	
Antonio	Baravalle	Chief Executive Officer
Antonella	Lavazza	Directors
Francesca	Lavazza	
Manuela	Lavazza	
Pietro	Boroli	
Enrico	Cavatorta	
Leonardo	Ferragamo	
Gabriele	Galateri di Genola	
Robert	Kunze-Concewitz	
Antonio	Marcegaglia	
Nunzio	Pulvirenti	
Roberto	Spada	

BOARD OF STATUTORY AUDITORS

Gianluca	Ferrero	Chairman
Angelo	Gilardi	Statutory Auditors
Bernardo	Bertoldi	

INDEPENDENT AUDITORS

EY S.p.A.

Group Structure

LUIGI LAVAZZA S.p.A.

- 100% LAVAZZA PROFESSIONAL HOLDING EUROPE S.r.l.
  - 100% LAVAZZA PROFESSIONAL FRANCE S.a.s.
  - 100% LAVAZZA PROFESSIONAL GERMANY G.m.b.H.
  - 100% LAVAZZA PROFESSIONAL (UK) Ltd.
    - 100% LAVAZZA PROFESSIONAL (UK) OPERATING SERVICES Ltd.
- 100% LAVAZZA PROFESSIONAL HOLDING NORTH AMERICA Inc.
  - 100% LAVAZZA PROFESSIONAL NORTH AMERICA LLC
- 97.40 % NIMS S.p.A.
- 93% LAVAZZA PREMIUM COFFEES CORP
- 100% LAVAZZA DEUTSCHLAND G.m.b.H.
- 100% LAVAZZA KAFFEE G.m.b.H.
- 100% LAVAZZA COFFEE (UK) Ltd.
- 100% LAVAZZA SWEDEN AB
- 80% KICKING HORSE COFFEE Co. Ltd.
- 100% LAVAZZA AUSTRALIA Pty Ltd
  - 100% LAVAZZA AUSTRALIA OCS Pty Ltd
- 100% LAVAZZA FRANCE S.a.s.
  - 50.01% LA MANUFACTURE DE CAFÉ ALAIN DUCASSE S.a.s.
- 100% LAVAZZA NETHERLANDS B.V.
  - 99.99% FRESH & HONEST CAFÉ Ltd
- 100% CARTE NOIRE S.a.s.
  - 100% CARTE NOIRE OPERATIONS S.a.s.
- 100% MERRILD KAFFE ApS
  - 100% MERRILD BALTICS SIA
- 100% LAVAZZA JAPAN GK
- 99% COFINCAF S.p.A.
- 100% LAVAZZA CAPITAL S.r.l.
- 100% LAVAZZA TRADING SHENZHEN Co. Ltd
- 100% LAVAZZA SPAGNA S.L.
- 100% LAVAZZA MAROC S.a.r.l.
- 97.54% LAVAZZA ARGENTINA SA
- 99.53% LAVAZZA DO BRASIL Ltda
- 35% Y&L COFFEE Ltd
  - 100% YI BAI COFFEE Co. Ltd

Letter to Shareholders

Dear Shareholders,

The financial year ended 31 December 2021 closed with a Group's consolidated result of €105,528 thousand based on the IFRS and Luigi Lavazza S.p.A.'s positive result of €103,604 thousand based on Italian GAAP (OIC).

With reference to Article 2428 of the Italian Civil Code and Article 40 of Legislative Decree No. 127(2-*bis*) of 9 April 1991, the Report on Operations includes both information on the Financial Statements of the Parent Company Luigi Lavazza S.p.A., and the Report on Operations of the Consolidated Financial Statements of the Lavazza Group.

Despite an economic and social scenario still marked by complexities due to the Covid-19 health emergency, the Group achieved a turnover of €2.308 billion and a positive performance in all markets, both the more mature ones such as Italy and France, and the expanding ones such as the United States and Germany, testifying to the soundness of all our brands across all geographical areas.

In the year just ended, the Group saw a positive channel and product mix, thanks both to a significant recovery in turnover in the Away From Home channel after the slowdown effect due to Covid-19, and to the turnover of the At Home channel, which grew further, particularly in the Beans segment, where the Group once again recorded a leading market share in 15 countries.

In addition to the excellent economic and financial results, the Group's international presence was strengthened, particularly through the joint venture with Yum China for the development of cafés in the country. Investments in research and development projects and the constant commitment to carrying out its business activities in a sustainable way from both an economic and an environmental and social standpoint were also confirmed, through the enhancement of people and the local areas and communities in which the Group operates, as well as the reduction of the environmental impact of its operations.

The 2021 results are not only a historic milestone for our Group but also the starting point from which to face a year that promises to be extremely complex and challenging, due to the increase in the purchase price of all the commodities we deal with — green coffee primarily, but also packaging, energy, logistic costs — and risks related to the dramatic geopolitical context. Since the onset of the emergency in Ukraine, we have been committed to helping those affected by the war, allocating both donations to various NGOs with which we have a longstanding collaboration, and sending products to organisations providing refuge, in the hope that the situation will return to normal as soon as possible.

The Chairman of the Board of Directors

Alberto Lavazza

LAVAZZA GROUP

Directors' Single Report on Operations

LAVAZZA GROUP

Group highlights

Group's result for the year

The following table shows the Group's operating and financial highlights at 31 December 2021 compared with the previous year:

€ million	2021	RATIO %	2020	RATIO %
NET REVENUES	2,308.4	100.0%	2,085.3	100.0%
EBIT	163.6	7.1%	107.7	5.2%
EBITDA	312.1	13.5%	252.8	12.1%
ADJUSTED EBITDA (before non-recurring items)	312.1	13.5%	266.4	12.8%
PROFIT FOR THE YEAR	105.5	4.6%	72.9	3.5%
CAPEX	134.7		111.1	
NET FINANCIAL POSITION	(283.1)		(101.7)	
EQUITY ATTRIBUTABLE TO THE GROUP	2,534.0		2,347.0	
HEADCOUNT AT 31/12	4,169		4,172	

Between innovation and sustainability

The Lavazza Group was created by the entrepreneurial passion of a historic Italian family, the Lavazza family, and is today one of the main leaders on the global coffee scene, active in all business segments. It operates in 140 markets, with 9 production plants in 6 countries and over 4,200 employees and collaborators worldwide. This global presence stems from a growth path that has lasted for over 126 years, as well as from investments in research and innovation, with a constant focus on sustainability. Over 30 billion cups of Lavazza coffee drunk every year bear witness today to a great success story. The Group's goal is to create sustainable value for shareholders, employees, consumers, suppliers and the communities in which it operates, combining competitiveness with social and environmental responsibility. This means always ensuring top product quality and maintaining independence and an ethical profile, to occupy a prominent position on the global coffee market.

Historically, Lavazza has made innovation the hallmark of its entrepreneurial activity and the key to continuing to offer the best possible coffee in any form. From the intuition that marked the Company's first success — the coffee blend — to the development of innovative solutions for packaging; from the first espresso drunk in Space to the dozens of industrial patents developed, Lavazza has always revolutionised the coffee culture, with courage, energy and reliability, modernising tradition to anticipate the needs of the market and consumers.

This forward-looking attitude is also reflected in the attention paid to the issue of sustainability – economic, social and environmental – always considered a reference point for directing company strategy and multiplying the positive effects on the Group and on the wider communities in which it operates.

This approach covers all the Group's brands and creates a common culture based on responsible innovation, passion, integrity and competence, which serves as a guide for continuing to offer superior quality coffee.

140
markets

9
production plants

4,200
employees and collaborators

Businesses and brands

Businesses

The Lavazza Group's wide offering, dedicated to both At Home and Away From Home consumption, is distributed across all sales channels: Retail, Food Service, Office Coffee Service (OCS) and Vending. This strong presence makes available to all consumers and customers the most suitable solutions on every occasion, in every moment of the day.

Retail

Within the At Home consumption channel, the Lavazza Group has a very strong position in a number of key markets such as Italy (under the Lavazza brand), France (under the Carte Noire brand), Denmark and the Baltics (under the Merrild brand) and Canada (under the Kicking Horse brand).

The range, differentiated by country, includes whole bean and ground coffee products — for espresso, moka coffee pot and filter systems — pods, instant coffee, ready-to-drink beverages and capsules for the world's most common home systems, suited to meeting every consumer's taste requirements.

The Group also markets its At Home products through Nims, which offers its customers direct door-to-door sale of coffee products and prompt, timely warranty and support service, thanks to a network of personal coffee shoppers who create a direct relationship of trust with their customers.

Finally, Group brand products can also be purchased online, through an advanced e-commerce platform including the direct shops of proprietary sites, a presence on large general-interest platforms (marketplaces) and the major retailers' online channels.

Food Service

Lavazza provides sector professionals dedicated, tailor-made products and solutions for all service modes and types of coffee preparation. Quality in every cup is ensured making available a vast selection of professional machines, specific service materials and all communication materials, which allow to leverage all aspects of the coffee ritual.

The Lavazza Training Center provides day-to-day support to clients in their activities through training programmes focusing on theory and operational consulting, directly on site, provided by a team of specialists who operate according to the international standards of excellence set by the SCA (Specialty Coffee Association).

In addition to coffee, the range is rounded out by complementary products such as hot chocolate, ginseng and barley beverages, tea, infusions and granitas.

Retailing

The Group has Lavazza-branded proprietary and franchised stores, through which it establishes a direct relationship with the consumer.

Lavazza Flagship Stores' offer is structured around an immersive, comprehensive coffee experience, where the product is enhanced in all its forms, from the most traditional, such as espresso, to the most surprising Coffee Design preparations. The first Lavazza Flagship Store was inaugurated in Milan in 2017, while September 2021 saw the opening of the new store in the heart of London, in a historic building in front of the iconic Liberty department store in Great Marlborough Street.

China is another key market where coffee consumption has great potential yet to be expressed: in 2021 the Lavazza Group and Yum China, the largest restaurant company in China in terms of total sales in 2020, created a joint venture to explore and develop the concept of the Italian coffee shop in China, opening in 2021 about 20 points of sale to complement the first coffee shop opened in Shanghai in 2020. The joint venture aims to open 1,000 Lavazza coffee shops in China by 2025, as well as to distribute and market Lavazza's retail products, thus becoming the Group's exclusive distributor in mainland China.

Office Coffee Service (OCS) and Vending

Drawing on more than 30 years of experience with capsule-based systems and vending machines, in recent years the Lavazza Group has strengthened its presence in the B2B market by acquiring the French ESP (Espresso Service Proximité), the Australian BLUE Pod and the Lavazza Professional business, which operates on numerous key markets for the Group: the USA, the United Kingdom, France, Germany and Japan. This is a business that requires great technological and service skills, in order to provide its consumers with an excellent cup of coffee anywhere.

Brands

The Lavazza Group brings together the global Lavazza brand with the brands Carte Noire, Kicking Horse and Merrild, each a market-leader in its country, all united by a focus on quality, yet quite distinct in terms of characteristics and personality.

Lavazza

Lavazza — the Group's global brand — is synonymous with authentic Italian coffee around the world.
Lavazza is a consolidated, historic leader in Italy's retail chains, where it is present in all business segments — At Home, Away From Home and OCS — with dedicated products and solutions. It can also count on excellent brand awareness and reputation in all the most strategically important markets, also thanks to its constant commitment to sustainability.
A communication innovator, over the years the Lavazza brand has also built its global identity through partnerships in the areas of top gastronomy, sport and culture. The brand evokes sustainability, taste and wellbeing, and offers experiences that go well beyond the pleasure of an excellent espresso.

Kicking Horse Coffee

Kicking Horse Coffee was founded in 1996 in Invermere (British Columbia), in the Canadian Rocky Mountains, where founders Elana Rosenfeld and Leo Johnson dreamed of creating an innovative coffee roasting company and took an artisanal approach, experimenting with the art of roasting and blending coffee grown according to strictly natural methods. Over time the brand focused increasingly on organic fair trade coffee, and today all its products are certified 100% organic and fair trade.
Kicking Horse is currently the leader in the North American organic coffee sector and has been recognised in Canada as the *most trusted* brand according to the Gustavson Brand Trust index 2019. It joined the Lavazza Group in 2017.

Carte Noire

Carte Noire, an icon of the French art of coffee, is the leading retail coffee brand in France, well known since its foundation for its extremely high-quality coffee. Thanks to the vision of its founder, René Monnier, since 1978 Carte Noire has stood out for its refined blends and for being the first player in the French market to offer 100% Arabica products. In a country famous for appreciating the quality of wine and cuisine, René Monnier succeeded in doing the same with coffee, thanks to an innovative communication inspired by cinema. Today, Carte Noire is the number-one brand by penetration, reputation and image in the French coffee market. It is a perfect brand for the Lavazza Group, of which it has been part since 2016.

Merrild

Merrild was founded in Denmark as a result of the passion of Møller Merrild, an entrepreneur who in 1964 opened a small coffee roasting company in Fredericia, a small municipality on the shore of the North Sea, driven by a desire to improve the coffee blends available on the market. His research resulted in the development of high-quality recipes with unmistakable flavour — some of which remain unchanged to these days — propelling the brand's growth into a leader of the coffee market in Denmark and the Baltics. This prominent role is also reflected in the brand's intense social sustainability activity. In line with the Lavazza Group's focus on quality, Merrild joined it in 2015.

General performance and market scenario

In 2021, the global economy recorded a solid recovery after the contraction in GDP that occurred in 2020 — the first since 2009 — due to the measures put in place by governments to cope with the outbreak of the Covid-19 pandemic. The recovery was driven by the gradual lifting of the circulation containment measures starting from the first half of the year, as well as by the successful vaccination campaigns in the West, where the main countries rapidly immunised a large part of the population. In the rest of the world, this process was slower, limiting the resumption of production capacity, particularly in manufacturing hubs and ports in the Far East, and causing bottlenecks in many supply chains.
The ensuing supply restrictions and the formidable and sudden recovery in demand for goods and services by western households, further strengthened by the monetary and, above all, fiscal stimulus measures implemented in 2020 to cope with the pandemic crisis, led to the onset of strong inflationary pressures. The latter, initially confined to a few sectors (semiconductors, motor vehicles and commodities related to the production of clean energy), gradually extended to other product categories (gas and oil primarily), causing cascading increases in consumer and production prices.

In light of these developments, the major central banks began to discuss the reduction of the extraordinary monetary stimulus plans adopted in 2020. Since inflationary pressures appeared particularly pronounced in the US — where inflation reached record levels for almost 40 years — the Federal Reserve was at a more advanced stage of this process: it has already begun its plan to gradually reduce bond purchases, at the end of which a discussion on the rise in the cost of money, still at the 0%-0.25% range since March 2020, is likely to follow.
While acknowledging the intensity of the ongoing inflationary pressures, the ECB continued to consider them mainly transitory, but nonetheless announced its intention to conclude the PEPP (Pandemic Emergency Purchase Program), characterised by flexibility in the distribution of purchases among Member States, at the end of March 2022. The reference rate was however still firmly anchored at 0% (the ECB deposit rate was -0.5%) and a change in the short term seemed unlikely.

On the political front, there were above all two important events in Europe in 2021: the elections in Germany and the appointment of former ECB President Mario Draghi as Italy's Prime Minister. In Germany, a fragmented political picture emerged from the elections that took place in September; after several weeks of negotiations, the Social Democrats, Liberals and Greens reached an agreement for a government led by SPD leader and former Finance Minister Olaf Scholz, and, for the first time since 2005, without the CDU.
In Italy, after the loss of parliament's confidence in Conte's second government between the end of January and the beginning of February, the President of the Republic asked Mario Draghi to form a new national-unity government backed by almost the entire parliamentary spectrum with the aim of supporting the recovery from the pandemic crisis and access to and correct use of the resources provided under the Next Generation EU fund.
In China, in the second half of the year, solvency problems emerged in the local real-estate sector, which suffered a slowdown and was burdened by excess leverage, culminating in Evergrande defaulting on its debt: the most indebted builder in the world reported liabilities of $310 billion as of 30 June. At the same time, despite the change in the White House, tensions remained high between Beijing and Washington, especially in terms of technological rivalry and regarding the future of Taiwan.

Industry overview

Group positioning

At Home business

In the context of the Covid-19 pandemic emergency, in the first months of 2021 as well the domestic food consumer goods segment continued to grow at the extraordinary pace experienced in 2020, to then slow down in the second half of the year. The channel's future average growth is expected to reach +4.1% in the period 2021-2026, rising at different rates according to the geographical area (Food & Beverage Sector Report, November 2021, Edge by Ascential Retail Insight).
The more or less generalised lockdown scenarios continued in winter 2020-2021 and further triggered a shift in consumption from the Away From Home channels to the retail channel, albeit declining compared to 2020, with consumers experiencing a change in their habits mainly as a result of the increase in remote working, in particular among white collars.
Growth was therefore more mitigated than the 2020 levels due to the first re-openings, particularly from the summer onwards, but was also supported by a general change in home-work habits.
Despite the volume stagnation between 2020 and 2021 (about -0.5% by volume), the coffee retail market grew by 6% compared to 2019 in the Group's 15 major geographical areas of reference (2019 reported instead a slight downturn). The Lavazza brand outperformed the market trend in all the Roast&Ground segments, particularly thanks to the whole-bean segment that rose by 15 points compared to the growth trend in the reference segment.
From a competitive point of view, the coffee category experienced strong pressure with the entry and/or globalisation of players that drove a growth phenomenon in the premium segments, especially in single-serve products, with sustained growth of high-end products.
At the same time, the dynamics in the multi-serve segments of the more mature geographical areas were instead impacted by strong promotion and competitive pressure aimed at preserving market shares. The Lavazza brand benefited from its premium positioning and offering in numerous expanding markets, especially in the segments most covered by the brand's products, and defended its own competitive position in the main geographical areas, also working on its portfolio's value levers.

The Group brands expanded in all the geographical areas with more moderate growth in the consolidated ones (Italy, France and Denmark), whilst all the other regions showed higher and very sustained growth driven partly by the increase in at-home consumption triggered by the effect of Covid-19 on the market, and partly by the growth in the share of the Lavazza brand owing to increases in terms of distribution and mix with considerable peaks in North America, Germany and Eastern Europe.
Moreover, in 2020, the restrictions on movement imposed in the various countries to cope with the pandemic favoured online purchases, both in the pure-online channels and in the home-delivery and click&collect services provided by traditional retailers. Growth remained constant throughout 2021 thanks to the online share, which partly offset the slowdown recorded in physical stores following the first re-openings.

Estimates of the penetration rate of online purchases in the FMCG also confirmed the growth trends in all the main geographies for the next few years.

In this context, Lavazza's e-commerce channel continued to report growth in line with the aforesaid acceleration in the main geographical areas, even exceeding the benchmarks in countries such as the US and the UK. These results were obtained by consolidating the initiatives aimed at strengthening control on the channel and by intensifying promotional activities, particularly in the online platforms of traditional retailers, as well as on the proprietary channels. In addition, a process for evolving the business models adopted to date was launched, in order to strengthen the channel's responsiveness in seizing new business opportunities.

Away From Home business

FOOD SERVICE (HO.RE.CA.)

The consumption trend in the Food Service channel was strongly impacted by the effects of the second/third wave of Covid-19 — from January to April — which severely compromised the performance of the business in the first half of 2021. The second half, driven by the performance of the summer season, showed significant recovery, approaching pre-pandemic levels. This positive trend — which marked a clear recovery compared to 2020, which had been severely impacted throughout almost the entire year — was however unable to return to 2019 performance levels by the end of the year.

In the first half of the year, governments (mainly in Europe) implemented localised and progressively stricter lockdowns depending on the severity of the situation with a considerable impact on Ho.Re.Ca performance, albeit at a lesser extent than in 2020. Summer marked a decisive turning point for the entire Away From Home world: in addition to the physiological resumption of the summer season, the mass vaccination campaign proved crucial for a more steady recovery. This latter factor made it possible to stabilise the recovery in both Europe and the USA (whereas Australia experienced different dynamics), albeit with the channel segments recording different rates of recovery:

- **Cafés and restaurants**: after the major crisis recorded in the first part of the year due to localised lockdowns and stringent capacity limitations, this sector benefited from a good recovery in the summer, leading café and restaurant consumption to bounce back significantly compared to 2020, although still below 2019 levels. An example is Italy, which recorded a turnover in the sector of +83% compared to 2020, but remained nonetheless 34% lower than in 2019 (source: *Il Sole 24 Ore*). This trend is confirmed to date despite the renewed capacity limitations and the mandatory Green Pass for consumption in most European and non-European countries;

- **Hospitality & Travel**: the travel industry struggled to recover and continued to record the heaviest repercussions, with a level of bookings in sharp contraction globally compared to 2019. To date, air travel stands at around 42% compared to the pre-pandemic period (source: *The Economist*). However, the sector benefited from the summer period, seeing a partial recovery in the losses suffered in the first half of the year thanks to the easing of restrictions, the increase in vaccinations in Europe and the re-opening of the EU to fully vaccinated travellers from third countries: international tourist arrivals increased by 58% between July and September 2021 compared to the same period in 2020 (UNWTO).

The coffee consumption trend in the Food Service channel was in line with the general consumption trends throughout the Away From Home channel. The performance of the business units showed a clear correlation with the pandemic evolution: overall there was a strong contraction in volumes from January to April (-40% compared to 2019), with a gradual reduction of the gap from May onwards, up to -20% in the final months of the year.
Italy and France, Lavazza's two main markets, were among the most impacted geographies and, despite a good recovery in performance in the summer months, were unable to close the gap built up in the first few months of the year. Equally compromised were the UK and Australian markets (the latter of which suffered the longest lockdown period in history).
Other markets, on the other hand, performed against the trend, exceeding the 2020 results and reaching pre-Covid-19 levels. These included Eastern Europe, the Balkans and the Middle East which, thanks to the fewer restrictions imposed and an increasingly more widespread distribution activity, managed to overcome the negative impact of the pandemic and partially offset the negative performance of the other business units.
In this context, the Lavazza Food Service channel focused mainly on developing medium/long-term strategic initiatives aimed at increasing the efficiency of investments, maximising the channel's profitability in the most consolidated geographical areas and increasing penetration in lower-distribution or high-potential business areas.

OCS/VENDING

Consumption in the OCS/Vending channel is closely linked to hours worked, namely people's presence in the workplace such as production sites, offices and businesses and home-work commuting. Although to a lower extent than in 2020, this parameter continued to be negatively affected by the restrictive measures aimed at combating the Covid-19 pandemic in 2021 as well. More specifically, if in 2020 the channel had been globally impacted by restrictions, 2021 recorded positive signs in all consumption segments (production plants, offices and travel and tourism sector, etc.), but with a dynamic that varied across the different segments. In fact, the improvement in health conditions allowed to ease government measures with a positive effect on the channel's consumption. In this regard, it should be emphasised that the lifting of restrictions was gradual and never total, with the three consumption segments impacted differently:

- for blue collar workers at manufacturing sites, there was a substantial return to normality thanks to the absence of selective closures and a substantial return to full productivity;

- for white collar workers, the business continued to suffer from the change in working and commuting habits, with a significant adoption of remote working.

If it is true that remote working decreased compared to lockdown periods in 2020, it should still be taken into account that work habits underwent a profound change, with a consequent structural reduction in the hours worked in the office compared to the pre-pandemic period.

Unlike in 2020, when the first wave of the pandemic had had a greater impact on the first few months of the year and the decrease in volumes had peaked between 45% and 65% in the main markets compared to 2019, in 2021 the consumption trend remained substantially stable, although marked by seasonality-related variations. Despite an improvement in volume performance (about 15% more than in 2020), the OCS/Vending channel has not yet returned to pre-pandemic levels. However, the comparison should be read taking into account the factors mentioned above: the persistence of restrictions and a change in working habits that led to the common use of remote working are reflected in a structural reduction of consumption in the market.

A breakdown of the Group's performance based on market penetration shows different situations. In mature geographical areas (Italy and France), the trend was in line with the market, with a partial recovery in consumption that led to an improved result compared to 2020. In detail, Italy's performance recovery was also driven by business lines of a mainly domestic/small office character and exposure to a less impacted consumption segment (production plants and healthcare facilities).
Looking at the expanding geographical areas, the penetration increase was accompanied by less marked restrictions, allowing the markets in question to achieve a 2021 performance level in line with the levels reached before the pandemic (Northern Europe), or even better results than in 2019 (Romania and Bulgaria).
Lavazza Professional companies in Europe, operating mainly with the Klix system in the UK, Germany and France, also recorded a recovery compared to 2020, linked to a reduction in restrictions and the leading position in the production sites segment. Despite the growth reported in 2021, performance has yet to reach the 2019 levels.
The performance of Lavazza Professional North America was still strongly impacted due to its greater exposure to white-collar environments and the pandemic's major impact also in the summer and early autumn periods compared to the European situation.

Significant events in the year

In 2021, the Lavazza Group consolidated its international presence and focus on the new generations so as to enhance the brand and support future growth.

In China, the Group reinforced its international presence through a 35% joint venture with Yum China, a local company leader in the retailing channel that holds the exclusive rights in China for the distribution of products of international brands such as KFC and Pizza Hut. The joint venture has currently opened more than 20 stores in Shanghai, Hangzhou, Beijing, and Guangzhou, and plans to open 1,000 stores by 2025. China is a fast-growing market that, according to Mordor Intelligence's market research, will grow at a rate of more than 10% and the Lavazza Group aims to reach Chinese consumers by exploiting its 126 years of experience, extensive coffee expertise and a global brand.

Joint Venture with Yum China
1,000
coffee shops to be opended by 2025

In addition, the Group, after launching the brand "1895 Coffee Designers by Lavazza", confirmed its interest in specialty coffee by announcing a collaboration with the multi-Michelin-starred Chef Alain Ducasse to publicise and promote this new trend. The creation of this alliance is built around common values, namely know-how, quality and tradition, but the story starts from afar. It was 2018 when the two entrepreneurs, Giuseppe Lavazza and Alain Ducasse, came together with one desire: to develop, together, a new specialty coffee brand. Initially aimed at a target of Away From Home consumption and business professionals, the new range will be gradually implemented within the Ducasse Paris network before being accessible to the general public.

Opening of Le Café Alain Ducasse with
1895
by LAVAZZA, in Paris

The year 2021 saw the launch of the new capsules compatible with Nespresso®[1] Original machines. The range was completely revisited compared to the previous offer and now includes all the most iconic Lavazza brands (Qualità Oro, Qualità Rossa, Crema e Gusto, ¡Tierra!, Dek) in addition to the Espresso brand in the new Maestro variant. These are aluminium capsules with zero CO_2 impact as emissions generated throughout the product's life cycle are offset through the support to the Madre de Dios project in the Amazon Forest in Peru, managed by the climate partner EcoAct. The marketing of the new capsule range started in Italy in July 2021 and gradually expanded to numerous other markets, including France, Spain, Sweden and Greece.

Nespresso® Compatible Capsules
ZERO
CO_2 impact

1 Lavazza is not affiliated with, endorsed or sponsored by Nespresso.

In 2022, worldwide distribution will be completed in the other countries in which the Group operates.

The launch in all major countries will be supported by a robust integrated communication campaign.

New A Modo Mio
VOICY
with Alexa built-in

During the year, an extremely significant technological innovation was introduced in the world of A Modo Mio machines, represented by the new Lavazza Voicy, the first coffee machine in the world to be integrated with Alexa. It is the result of an important collaboration with Amazon and will allow consumers to enjoy a coffee experience with countless possibilities via voice commands and through the app. In fact, Lavazza Voicy allows to ask Amazon's voice assistant to prepare one's favourite espresso, add the task to a routine, monitor capsule consumption and ask for instructions on how to use the machine, as well as interact with Amazon's voice assistant directly through the coffee machine just like with an Echo device. Lavazza A Modo Mio Voicy was launched in Italy in March 2021 and in the UK in July 2021 with the support of an integrated communication campaign. The global roll out will continue in 2022 with the launch in Australia.

Relauch of the
¡TIERRA!
range

As part of a business model in which sustainability is a fundamental component, cutting across every step of the production chain, from the raw material to the finished product, the Group has relaunched ¡Tierra!, its ethical brand, which brings to life the philosophy of the Lavazza Foundation with a range of 100% organic products. Lavazza ¡Tierra! is a range of high-quality coffee blends: the perfect combination of excellence in taste, wellbeing and sustainability. Through ¡Tierra!, Lavazza expresses its commitment to sustainable coffee cultivation that respects the planet and people. The launch took place on a global scale, supported by a robust integrated communication campaign.

Lavazza partner
of the Italian Pavilion at
EXPO
Dubai 2020

¡Tierra! played also a starring role at Expo Dubai 2020 in the Solar Coffee Garden café designed by CRA - Carlo Ratti Associati and Italo Rota Building office inside the Italian Pavilion, of which Lavazza was Platinum Sponsor.
Inspired by circular economy principles, the project featured a solar-powered human-size moka coffee pot, which used a series of solar mirrors to heat the water that was then transported through several copper pipes to the café, reducing the energy consumption of the coffee-making phases. The design paid homage to the iconic Carmencita moka coffee pot, designed by Italian designer Marco Zanuso for Lavazza in 1979.
Again with a view to the circular economy, the counter was made with waste coffee and beans resting on an eco-resin surface for a tactile experience.

Visitors attending Expo Dubai, the first major post-Covid world event, were able to live an immersive experience in a transparent and sustainable supply chain: the Lavazza café was a space to experience all the coffee production phases, from seed to cup. ¡Tierra! is a coffee whose essence is revealed not only in its aroma, but also in the care of the bean's land of origin and respect for the people who cultivate it.

To celebrate the first decade of the marriage between Lavazza and tennis, which began in 2011 at Wimbledon and gradually passed through all the Grand Slam tournaments, the year saw the Lavazza Group take the field as Platinum Partner of the Nitto ATP Finals.
Great tennis arrived in Turin with the Nitto ATP Finals, an international tournament that had never been held in Italy since 1970 and that this year Turin hosted and celebrated also with the support of Lavazza as Platinum Partner. By choosing to support national and local organisers and institutions in building a new important opportunity for international visibility and development of Turin, the Lavazza Group renewed its commitment to the city where it was born and has grown and from which it has been able to look confidently to the future.

Platinum partner of Nitto
ATP FINALS

Real estate

Despite the persistence of the pandemic emergency, the possibility of accessing vaccines allowed the Group to carry out some projects that had been temporarily suspended in the previous year.

In all the Group's offices, a layout of the working spaces was maintained and consolidated in compliance with social distancing needs, ensuring the highest priority for the health and safety of workers with continuous sanitisation, reduction in the number of staff present, widespread use of home working, restricted use of meeting rooms, communal areas and collective catering spaces.

It was precisely to serve the interests of the community and in synergy with the Local Health Authority that the Lavazza Group decided to suspend the rental of the La Centrale convention area used for recreational exhibition purposes in order to transform it into a vaccination hub from May to the end of September, with 16 administration stations, where over 150,000 citizens received the vaccine.
During the year, the property in Corso Novara 59 in Turin was sold, as it was considered no longer suitable for Group needs, and at the end of the year a preliminary contract of sale was signed for the property located in Via Tollegno 22 in Turin.

2021 saw the complete renovation of the headquarters of the subsidiary Nims S.p.A. in Padua through a project covering more than 2,500 square metres that completely transformed the work environments. The new layouts were designed to apply the Group guidelines to the work areas of the building, centred on collaboration and synergy between the functions.

With regard to the foreign subsidiaries, the expansion of the Lavazza Deutschland headquarters in Frankfurt was completed (a further 600 square metres), the new Training Center in Toronto was constructed and the Miami Training Center entered its final stage of completion.

Industrial investments

Industrial investments in Italian plants increased sharply compared to the previous year. The growth was mainly linked to investments in the new lines for the production of aluminium capsules and the upgrade of the production capacity of the lines dedicated to beans products.

In the Turin plant, work started on setting up a new line dedicated to aluminium capsule production and two important projects were launched for the Roast & Ground segment that involved rationalising the current roasting machine inventory and expanding the production of packaged coffee beans.

In the Gattinara (Vercelli) plant, a project was launched during 2021 to increase the productivity of the A Modo Mio capsule production lines.

For both plants, investment continued in order to adapt the packaging lines for the use of recyclable materials, ensure respect for the environment and increase workplace safety.

Financial Performance of the Lavazza Group

In 2021, within an economic and social scenario still marked by several complexities due to the Covid-19 health emergency, the Group's turnover exceeded €2.3 billion for the first time, with increasing results across all channels and geographical areas.

Revenues grew by 10.7% compared to 2020, net financial position was positive at €283 million and operating cash generation amounted to €203 million, up from 2020, confirming the Group's solidity.

The cash flow result in 2021 was positively influenced by the change in debt, which however will be largely reduced in 2022.

Consolidated operating, capital and financial situation of the Lavazza Group

Reclassified statement of profit or loss

€ million	YEAR 2021	RATIO %	YEAR 2020	RATIO %	CHANGE	% CHANGE
Net revenues	2,308.4	100.0%	2,085.3	100.0%	223.1	10.7%
Cost of sales	(1,385.8)	-60.0%	(1,264.9)	-60.7%	(120.9)	9.6%
GROSS PROFIT	**922.6**	**40.0%**	**820.4**	**39.3%**	**102.2**	**12.5%**
Promotional and advertising costs	(229.9)	-10.0%	(185.3)	-8.9%	(44.6)	24.1%
Selling costs	(183.3)	-7.9%	(178.0)	-8.5%	(5.3)	3.0%
General and administrative expenses	(292.6)	-12.7%	(275.9)	-13.2%	(16.7)	6.1%
Research and development costs	(15.8)	-0.7%	(15.0)	-0.7%	(0.8)	5.3%
Other operating income (expense)	(31.7)	-1.4%	(44.1)	-2.1%	12.4	-28.1%
Non-recurring income (expense)	-	0.0%	(13.5)	-0.6%	13.5	-100.0%
Income (losses) for investments in JVs and associates	(5.7)	-0.2%	(0.9)	0.0%	(4.8)	533,3%
EBIT	**163.6**	**7.1%**	**107.7**	**5.2%**	**55.9**	**51.9%**
Of which amortisation and depreciation	(148.5)	-6.4%	(145.1)	-7.0%	(3.4)	2.3%
Of which EBITDA	**312.1**	**13.5%**	**252.8**	**12.1%**	**59.3**	**23.5%**
Financial income (expense)	0.2	0.0%	(18.7)	-0.9%	18.9	-101.1%
Dividends	0.2	0.0%	0.1	0.0%	0.1	100.0%
PROFIT BEFORE TAXES	**164.0**	**7.1%**	**89.1**	**4.3%**	**74.9**	**84.1%**
Income taxes for the year	(58.5)	-2.5%	(16.2)	-0.8%	(42.3)	261.1%
PROFIT FROM CONTINUING OPERATIONS	**105.5**	**4.6%**	**72.9**	**3.5%**	**32.6**	**44.7%**
PROFIT/(LOSS) FOR THE YEAR	**105.5**	**4.6%**	**72.9**	**3.5%**	**32.6**	**44.7%**
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**0.4**	**0.0%**	**0.5**	**0.0%**	**(0.1)**	**-20.0%**
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**105.1**	**4.6%**	**72.4**	**3.5%**	**32.7**	**45.2%**

At 31 December 2021, Lavazza recorded revenues of €2.3 billion, up compared to €2.1 billion in 2020 (+10.7%). The year ended with one of the best results ever for the Group.

The main revenue growth drivers were first and foremost associated with the recovery of the Away From Home channel (80% of the amount recorded in 2019), after the slowdown caused by Covid, and with the ongoing revenue increase in the At Home channel (+6.3% compared to 2020 and +23.8% compared to 2019), although the market returned to nearly pre-Covid levels (+0.7% in 2021 compared to 2020, whereas in the previous year it recorded a +8.5%).
The product mix was positive thanks to the growth of the Beans segment, which proved to be the most dynamic on the market. Taking into consideration the 15 main geographical areas where the Group operates, the Beans segment rose by +8.5% compared to 2020 and Lavazza grew by 16.9%, increasing its share by 1.2%. In the Single Serve segment, which is increasingly competitive, the Group continued to carry out its plan for the launch of aluminium capsules.
At geographical level as well, the Group reported excellent sell-out growth rates in the retail channel in Germany (+14.3%), the United States (+4.5%) and Poland (+16%), whereas Italy and France recorded a reduction of 5.3% and 1.4%, respectively, due to the replacement of plastic capsules with those made of aluminium.

Within the Roadmap to Zero, launched in 2020, the commitment to attaining the Scope 3 target resulted in the achievement of carbon neutrality for 100% of the NCC, AMM, Flavia, BLUE and Firma product range in 2021, following the assessment using the LCA methodology and in accordance with the ISO 14067 international standard. In addition, the projects from which the purchase of carbon credits derives were certified by internationally recognised standards, such as VCS/CCB.
Lavazza's commitment to the value chain continued with the Sustainable Packaging Roadmap, with the aim of making the entire packaging portfolio reusable, recyclable and compostable by 2025. This path is guided by Lavazza's sustainable-by-design approach, aimed at ensuring the most responsible and efficient use of materials according to eco-design principles. In 2021, 70% of the packaging produced in the Group's three main plants, where 91% of total production is concentrated, was made recyclable.

Revenues for the first time above €2.3 billion

+10.7%

compared to 2020

At Home channel

+6.3%

compared to 2020

> EBITDA at

€312 million

EBITDA margin at 13.5%

> EBIT at

€164 million

EBIT margin at 7.1%

Net profit at €105 million

+44.7%

compared to 2020

The Group's **EBITDA** was €312 million compared to €253 million in 2020 (+23.5%), with an EBITDA margin of 13.5% compared to 12.1% in 2020, returning to pre-pandemic 2019 levels.
It should be recalled that the 2020 EBITDA had included €12.5 million costs relating to donations made within the context of the Covid-19 health emergency.

EBIT was €164 million, compared to €108 million for 2020 (+51.9%), with EBIT margin at 7.1%. Similarly to EBITDA, EBIT margin also returned to pre-pandemic levels (in 2019 it was 7.1%).

Net profit amounted to €105 million, up compared to €73 million for 2020 (+44.7%).

Sales performance

The Group's sell-in revenues grew by 10.7%, with a positive performance in all the channels (Retail +6.3%; Food Service +33.9%; OCS/Vending +14.3%). With special reference to the Retail channel (+6.3%), there were positive signs both in the main segments and geographical areas, except with regards to instant coffee (-3.1%), confirming the positive sell-out data recorded.
The Away From Home channels, and Food Service in particular, recorded a solid recovery compared to 2020. This result was achieved despite the general context impacted by the pandemic, which was more or less severe throughout the year, leading to alternating closures and openings in the various months of 2021, with an inevitable impact on the related consumption.
In particular, within Lavazza Professional, the European companies closed 2021 with an 8% increase in turnover compared to 2020. The subsidiary Lavazza Professional North America recorded a very positive performance (+41.8%) compared to the previous year, marked by a resumption, albeit slow and irregular, of office working with a consequent increase in office consumption.

With reference to Italy, in the At Home channel the market share by volume was 39.2% (-0.6 percentage points compared to 2020) and the share by value stood at 33.9% (-1.3 percentage points compared to 2020). In the Roast & Ground segment, Lavazza's share by volume rose slightly to 44.7% (+0.2% compared to 2020).
In the Away From Home channel, there was a remarkable revenue growth (+18.1%), with a significant recovery of the Food Service channel, thanks to the consumer traffic in cafés and restaurants. Also the OCS/Vending channel grew at a double-digit rate (+13.7%), albeit more moderately than Food Service.

Capital and financial situation

Reclassified statement of financial position

€ million	31.12.2021	31.12.2020	CHANGES
Inventories	446	405	41
Trade receivables	260	243	17
Trade payables	(413)	(329)	(84)
Other assets (liabilities)	(29)	(31)	2
Total net working capital	**264**	**287**	**(23)**
Property, plant and equipment	601	586	15
Intangible assets	1,406	1,364	42
Right of use	168	170	(2)
Non-current financial assets	60	27	33
Deferred tax assets/liabilities	(8)	19	(27)
Provisions	(160)	(122)	(38)
Provision for employee severance indemnities	(86)	(90)	4
Total net fixed assets	**1,981**	**1,953**	**28**
Assets held for sale	**6**	**8**	**(2)**
TOTAL INVESTED CAPITAL	**2,251**	**2,249**	**2**
Equity	**2,534**	**2,350**	**184**
Financial receivables and other non-current assets	(32)	(44)	12
Current financial assets	(378)	(393)	15
Cash and cash equivalents	(707)	(372)	(335)
Payables to banks and other non-current liabilities	615	473	142
Payables to banks and other current liabilities	218	234	(16)
Total net financial position	**(283)**	**(102)**	**(181)**
TOTAL FINANCING SOURCES	**2,251**	**2,249**	**2**

Net working capital amounted to €264 million, down €23 million compared to €287 million at 31 December 2020. This change was attributable to the following factors:

- an increase in the value of inventories (€41 million), chiefly due to the rise of the price of green coffee;
- an increase in trade receivables of €17 million, which was consistent with the sales expansion recorded during the year, but partially offset by better credit management;
- a significant increase in trade payables of €84 million, reflection the general increase in activities and costs in the last part of the year, with the consequent rise in the related payables.

Net fixed assets totalled €1,981 million, compared to €1,953 million at 31 December 2020.
The positive change in **Property, plant, equipment and intangible assets** includes the effect arising from the year-end exchange rate adjustment for items denominated in foreign currency (chiefly US and Canadian Dollars) amounting to approximately €59 million, as well as the effect arising from depreciation and amortisation for the year, which exceeded net investments.

Right of use refers to the application of IFRS 16 as of 1 January 2019, which led to the recognition in the statement of financial position of a financial liability represented by the present value of future lease payments, offset by the recognition among assets of a right of use of the leased asset.

Provisions increased mainly due to higher provisions associated with plans for employee incentives and benefits, as well as for other future risks and charges related to reorganisations of industrial activities and other provisions for other risks associated with several issues arising from ordinary operations. For further details, reference should be made to the Notes to the Consolidated Financial Statements, namely to sections concerning changes in provisions.

Reclassified statement of cash flows (*)

€ million	YEAR 2021	YEAR 2020
PROFIT FOR THE YEAR	**106**	**73**
Income taxes	58	16
Financial expense/(income)	5	13
Value adjustments to financial assets and liabilities	(1)	2
(Gains) losses from disposal of assets	(1)	-
Additions to provisions, employee benefits and other non-monetary components	91	64
Amortisation, depreciation and write-downs	151	152
RESULT ADJUSTED FOR NON-MONETARY COMPONENTS	409	320
Change in trade receivables	(13)	60
Change in inventories	(36)	(39)
Change in trade payables	80	(37)
Change in other receivables/payables	(1)	4
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	**439**	**308**
Taxes paid	(54)	(22)
Use of provisions and indemnities paid	(40)	(43)
Interest and dividends collected, interest (paid)	(7)	(7)
CASH FLOWS FROM OPERATING ACTIVITIES	**338**	**236**
Purchase of property, plant and equipment	(109)	(90)
Purchase of intangible assets	(26)	(21)
Other disbursements for investment activities	-	(1)
Acquisitions	(31)	(20)
CASH FLOWS FROM INVESTING ACTIVITIES	**(166)**	**(132)**
Dividends paid	(33)	(51)
CASH FLOWS FROM FINANCING ACTIVITIES	**(33)**	**(51)**
Other scope and non-monetary changes	50	(40)
Exchange rate effect	(8)	7
CASH FLOWS GENERATED (USED)	**181**	**20**
Net financial position at year-start	**102**	**82**
Net financial position at year-end	**283**	**102**

(*): Some figures relating to the comparison period have been reclassified in order to facilitate data comparability

As highlighted in the following chart, **net financial position** was positive for €283 million (compared to €102 million at 31 December 2020), with a €203 million discretionary cash generation from core activities, sharply growing from €125 million in 2020, thus confirming the Group's solidity, which improves year after year.
In detail, the positive flows generated by EBITDA were €312 million, further increased by the positive change in net working capital of €30 million, the change in provisions and non-monetary components totalling €57 million overall; by contrast, taxes and interest expense paid (€61 million) and net investments in operating activities (€135 million) reduced discretionary cash generation.

Positive NFP at

€283

million

Operating cash generation at €203 million

Net investments in operating activities amounted to €135 million overall and can be broken down as follows:

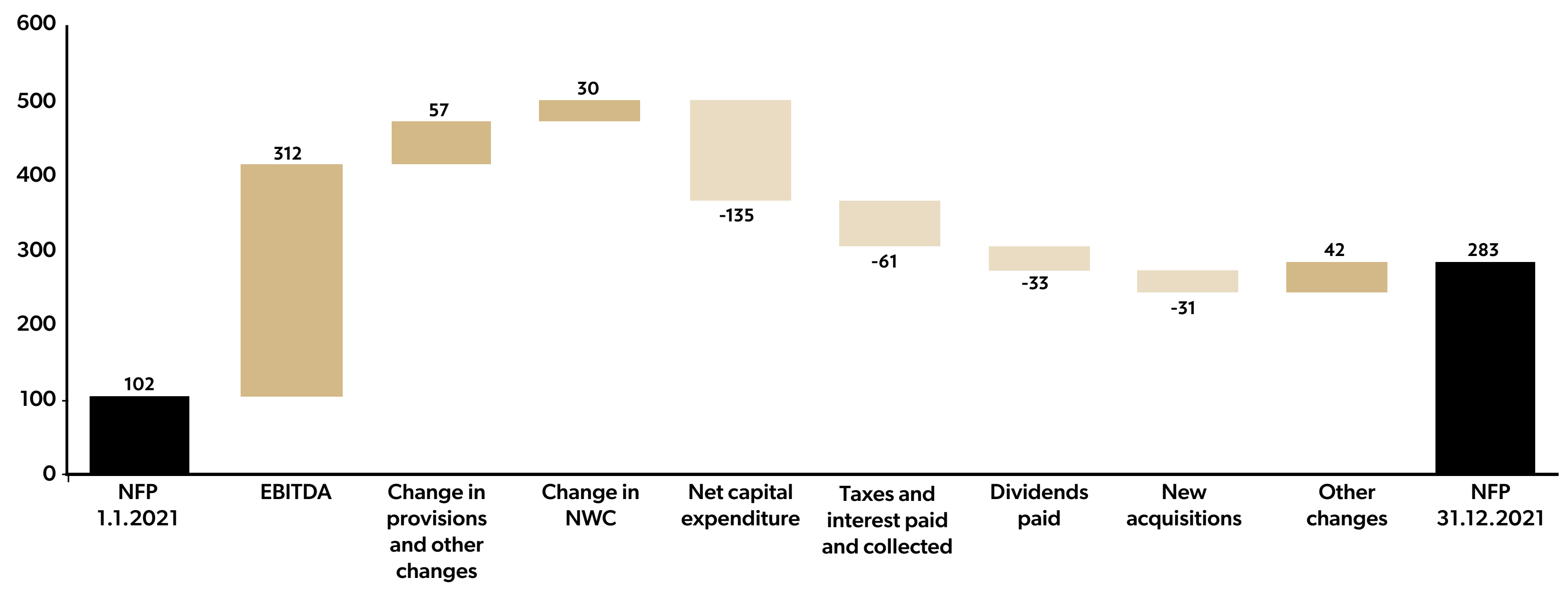
- investments in property, plant and equipment (€115 million), mainly involving plant, industrial machinery and coffee machines on free loan for use;
- investments in intangible assets (€26 million), primarily due to development costs incurred in order to adapt and upgrade the Group's IT and reporting systems;
- disposals of property, plant and equipment recognised as a reduction of investments amounting to €6 million.

Lastly, the change in net financial position was attributable to the following non-operating items:

- a negative effect arising from the capital increase in the equity investment in Y&L Coffee Ltd for about €30 million and the settlement of the remaining €0.6 million debt arising from the acquisition of Caffemotive S.r.l., withheld as a guarantee;
- dividend payout for a total of €33 million;
- other changes mainly related to financial components (movement of OCI reserves related to the valuation of derivatives, effects deriving from the changes in rights of use for third-party assets).

More specifically, the item in the statement of cash flows "Other scope and non-monetary changes" rose significantly compared to the previous year mainly as a result of the movement of the cash flow hedge reserve. This was due to the revaluation of the foreign exchange derivatives portfolio (resulting from the significant revaluation of the US Dollar against the Euro) and the effect of the strategies to hedge the green coffee price risk that were implemented in financial terms during 2021 (with a positive result dictated by the growing trend in market prices) and the economic effects of which, as a result of the application of hedge accounting, are deferred in the 2022 financial year (in conjunction with the accounting recognition of the supplies hedged).

The following is a reconciliation between the net financial position at 31 December 2020 and the net financial position at 31 December 2021:



Risk Management

The Group has adopted an internal control system, based on organisational rules, procedures and structures that allow the business to be run properly and in line with the goals set through an appropriate process for identifying, measuring, managing and monitoring the main risks.
An effective internal control and risk management system is instrumental to ensuring protection of corporate assets, the efficiency of business operations, the reliability of the information supplied to the corporate bodies and the market, and compliance with laws and regulations.
In 2021, the Group further strengthened its oversight of the Enterprise Risk Management (ERM) process.
The focus of the ERM framework is to identify and manage risks, preserving value creation and ensuring the achievement of the Group's objectives.

Exchange rate risk

The two main issues, which are closely interlinked and had a major influence on the foreign exchange market during 2021 were inflation (actual and expected) and the inflation-related manoeuvres by the various central banks.
In addition, the countries' different vaccination rates, the resurgence of Covid-19 clusters with the related restrictions and the appearance of new variants led to risk-on/risk-off moments and the consequent appreciation of currencies considered to be safe havens in these latter phases.
All countries, after the collapse in GDP suffered in 2020 as a result of Covid, returned to growth in 2021 resulting in a sharp increase in demand for raw materials, semi-finished and finished products. The supply difficulties in meeting the newly emerged needs and the critical logistic issues caused a surge in the prices, first of commodities and then of goods and services in general. The annual inflation data published in November for the USA confirmed a 6.8% figure, a value that had not been recorded for about forty years.
In the first half of the year, all central banks considered inflation to be a transitory phenomenon and were tolerant of accepting data above the targets set.
June saw the monetary authorities start to adopt a divergent approach to the price rises, with the Federal Reserve and the Bank of England announcing the beginning of quantitative easing tapering and the market, as a result, pricing in likely rate hikes as early as 2022, while the ECB remained in a wait-and-see mode also in the face of Germany's unsatisfying economic data and the resurgence of Covid-19 on the continent. The Euro's performance against the Dollar was affected by the constantly improving US economic data and US real rates which, albeit negative, were more attractive than Euro rates.
After starting the year at 1.2215, the EUR/USD ratio, which peaked at 1.2327 on 6 January, remained in the 1.16-1.2250 range until the summer. Afterwards, with US inflation data constantly above 5%, as of July the Euro depreciated against the USD to a low of 1.1199 on 24 November. The average annual exchange rate was 1.1855.
Volatility continued to stand at historical lows at around 6.2%.
As in previous years, currency needs for purchasing raw material were met primarily through forward purchases.
The most significant currency exposures arising from sales in countries with currencies other than the Euro were monitored and hedged.
No speculative transactions are undertaken in managing exchange rate risks.

Interest rate risk

For the first half of the year, US and European central banks moved in a synchronised manner to provide liquidity support to the system that was starting the economic recovery. In particular, the ECB further accelerated the pace of PEPP programme purchases during February.
In the last quarter, on 22 September, the Federal Reserve announced the start of tapering, while the ECB continued to support its view of temporary inflation.
On 15 December, Federal Reserve Chair Jerome Powell definitively stated that inflation posed a major threat and therefore the pace of reduction in assets purchases was doubled with a possible conclusion of the programme in March 2022. In addition, there are now three estimated rate hikes for next year.
The ECB confirmed on 16 December that it would end net purchases of PEPP programme securities on March 22. At the same time, it assured that liquidity support would continue with the Asset Purchase Programme (APP). The announcement was considered by the market to be moderately aggressive given the uncertainties about the Omicron variant and, as a result, helped the Euro react positively, rising above 1.13 against the Dollar.
The yield on the ten-year US Treasury bond started the year at 0.915% and then continued to rise sharply to the peak of 1.742% reached on March 21. Afterwards, it dropped down to 1.17% in August and then recovered in conjunction with the FED's announcements to start tapering, only to settle in recent weeks in the 1.45% area. Market-anticipated rate hikes in the first half of 2022 had a greater impact on the two-year US rate curve, which tripled its yield from September (0.20%) to the end of December (0.66%).
The 10-year Bund had a yield that remained in negative territory throughout 2021, reflecting, although to a lesser extent, the Treasury trend and going from the start of year lows of (0.604%) to the highs of (0.086%) in October and then falling back to (0.36%) at the end of the year.
The ten-year BTP-Bund spread has been affected by Italian political events, touching 126 bps in January during the Conte government crisis and benefiting instead from Draghi's appointment that then brought a significant reduction in the perception of risk on the part of investors. The spread, also supported by better-than-expected Italian economic data, gradually narrowed to 90.6 bps, but then returned to the 130 bps area at the end of the year due to inflationary fears on the one hand, and the search for a safe haven (Bund) following the Covid waves in Europe on the other.
Following the new bank loan taken out, the interest rate risk was hedged in full by changing from a variable to a fixed rate using Interest Rate Swap instruments.

Commodity price risk

The year 2021 was particularly turbulent for all commodities, including those in the agricultural sector.
The recovery of global growth, after the sharp slowdown in 2020 due to Covid-19, and the growing logistical difficulties both in finding ships and containers, along with investors' search for yield combined with protection from rising inflation, led to year-on-year price increases with double-digit percentages.
Coffee is the agricultural commodity that has suffered the most significant rise in prices, recording an 81% increase on Arabica since the beginning of the year and beating both the global commodity index and the energy and industrial metals sectors. Robusta grew by 78%.
In addition to the reasons common to other raw materials, the coffee trend was affected by a particularly inclement year in terms of weather. First the drought in Brazil resulted in a poor Arabica harvest in an already off-cycle year, then in July the worst frost in decades made next year's harvest forecast particularly critical.
In Colombia, too heavy rains are putting at risk the production of the 14 million bags that the market expected.
As for Robusta, the harvest was good in Brazil and, despite some delays due to persistent rain, it also promises to be excellent in Vietnam (31 million bags).

The logistical difficulties triggered first by a Chinese recovery that had already begun at the end of 2020, then the problem in March of the Suez Canal obstruction spread the delays worldwide. Subsequently, the closures of a number of important Chinese ports due to Covid-19 outbreaks exacerbated the situation that today features bottlenecks along the entire supply chain and prevents a regular flow of coffee out of the countries of origin.
The arbitrage between the two varieties reached 140 $cts/lb, representing the highest values of the last 3 years, due to Arabica rising more than Robusta.
In this context, speculative funds have taken increasingly important purchasing positions, approaching the highs on both Arabica and Robusta.
With reference to the price analysis, Arabica on the New York Market opened the year (in second position) at $128.10 cts/lb and then touched a low on 6 January at $122.95 cts/lb. Peak volatility (80%) was reached in July 2021 with the frost and, after a partial recovery in prices in August as concerns were dispelled about further cold fronts, the trend continued driven above all by logistical tensions, peaking at $249.85 cts/lb on 6 December.
Robusta on the London Market essentially replicated the Arabica trend, despite being unaffected by the frost in Brazil, but having, on the other hand, suffered heavy lockdowns in Vietnam and the logistical difficulties already illustrated. The year opened with a price of $1,372/ton, then recorded a low of $1,302/ton on 12 January followed by a continuous climb to a peak of $2,315/ton on 6 December 2021.

The uncertainty about the severity of the Omicron variant is having contrasting effects: on the one hand it could reduce demand due to new closures and greater use of remote working, on the other it could further complicate the logistical framework in the countries of origin.

In line with previous years, the coffee price risk was managed through physical hedging and non-speculative derivatives.

Credit risk

2021 was still a complicated year given the pandemic's persisting effects on the whole world of Away From Home consumption. Despite this situation, credit performance indicators have improved, especially in the Ho.Re.Ca. world thanks to a tight focus on maturities and risk exposures in the Travel and Hospitality world. There has been a sharp reduction in late payments in the domestic market where no critical issues have been reported in the world of retail chains.
The extension of the credit protection programme to higher hierarchical levels of the commercial organisation has contributed to a better and more strategic management of deferred payments. The DSO decreased both as regards the parent company and at consolidated level.
The credit protection of foreign distributors served by the Parent Company with non-recourse factoring tools for insurance purposes was maintained over 90%.

The commitment to the social and environmental sustainability of the Group's activities

Integrating sustainability in its operations

The Lavazza Group is committed toward conducting its business in an economically, environmentally and socially sustainable way.
Making the most of its human resources and the territories and communities in which it operates and minimising the environmental impact of its activities are the pillars of Lavazza's approach to doing business. This approach has allowed the Company to organise a programme of coordinated initiatives in Italy and in the countries where it operates, in order to promote the integration of sustainability in all areas of the business.

The Sustainability Report of the Lavazza Group

Transparency towards all stakeholders is an essential principle that guides the Lavazza Group in all its activities and also translates into the decision to prepare annually, on a voluntary basis, the Group Sustainability Report, published for the first time in 2014: the document reports the Company's sustainability path, a path in which sustainability is gradually integrated into all business activities, reflecting its commitment around the world through its leading companies.
Since the first edition, it has been drawn up according to the GRI - Global Reporting Initiative Standards, the main international reference criteria for the reporting of sustainability performance, and is subject to limited review by an external assurance company, which issues the audit letter published in the Report.

The eighth edition of the Group's Sustainability Report for 2021, entitled "A Goal in every Cup", is also a tool used to report Lavazza's commitment to the UN Global Goals, to which four chapters are devoted, each for one of the four Priority Goals identified by the Company: Goal 5 – Gender Equality, Goal 8 - Decent Work and Economic Growth, Goal 12 – Responsible Consumption and Production, Goal 13 – Climate Change. One of the aforementioned chapters is dedicated to the Lavazza Foundation.
The Sustainability Report contains information on the Group's sustainability programmes, examples of which are given below.

1. Expanding Community Engagement - Goal 5 and Goal 8:

In 2021, support for communities, the supply chain and employees was further developed, on the one hand through the development of an already well-established programme of care and attention initiatives and, on the other hand, of specific actions linked to the health emergency. One example of this is the Nuvola Lavazza – CV19 Hub, the vaccination centre created thanks to the company's provision of the Nuvola premises to the Local Health Authority, which between spring and autumn 2021 allowed the vaccination of 150,000 people. In addition, 2021 saw the consolidation of Gap Free, the new long-term programme of actions aimed at building an inclusive and gap-free company for the development of a work environment in which everyone can express their authenticity, one of the Group's four founding values. Moreover, in order to tackle issues particularly relevant to the Company, such as children's rights and human rights, several supply chain projects were implemented in partnership with traders and specialised NGOs including Save the Children and Oxfam.

2. Accelerating efforts to combat the effects of climate change through innovation and sustainable environmental development strategies – Goal 13 and Goal 12:

Through a scientific and integrated bean-to-cup process, the Group has outlined a well-structured environmental sustainability strategy in which the commitment to the fight against climate change is achieved through various intervention programmes. One example of this is the Sustainable Packaging Roadmap, which is based on circular economy principles, aiming to make the entire Group's packaging portfolio reusable, recyclable or compostable by 2025. The goal is to ensure top quality coffee with the lowest possible environmental impact, thanks to continuous process and product innovation.
In parallel, the Roadmap to Zero is another plan that aims to gradually bring the Group to "carbon neutrality", in other words to zero the impact of all its CO_2 emissions, thanks to balancing the emissions produced against their absorption, through reduction, but also offsetting, programmes. The process began in 2020 with the offsetting of Scope 1 and Scope 2 emissions, in other words those under the direct control of Lavazza Group companies; from 2021 the process has continued with the gradual offsetting of Scope 3 indirect emissions, namely those due to activities that are not under the direct control of the company.

Photo credits by Roger Lo Guarra

3. The non-profit Giuseppe and Pericle Lavazza Foundation

Each year, the Group supports the non-profit Giuseppe and Pericle Lavazza Foundation, established in 2004 to coordinate and develop sustainability projects: in 2021, the Foundation financed 32 projects, with over 130,000 beneficiaries. To date, the countries involved are 20 on three continents: Dominican Republic, Haiti, Cuba, Guatemala, El Salvador, Honduras, Colombia, Peru, Brazil, Mexico, Nicaragua, Ecuador, Yemen, Uganda, Tanzania, Ethiopia, Burundi, Vietnam, India, Indonesia.
The projects supported by the Lavazza Foundation are primarily intended to increase coffee yields and quality, while also promoting entrepreneurship among coffee growers and improving their living conditions. The path taken by the Foundation is to support the autonomy of local communities, through the enhancement of women's work and the involvement of the new generations, which is accompanied by the sharing of good agricultural practices and the introduction of technological tools to combat the effects of climate change. The activities also focus on production diversification, to counter soil impoverishment, and on support for reforestation, a process that is essential for restoring the health of the ecosystem. The performance of all these activities is entrusted to local operators, to facilitate the involvement of coffee-growing communities and build relationships of trust between the parties involved.
In addition to its commitment to coffee-growing communities, the Foundation has also allocated, for the second year running, a specific fund for the response to the Covid-19 emergency, which has supported 20 additional projects in 14 countries, supporting 17 Non-Governmental Organisations working in the health, social and educational fields.

The health, workplace safety, energy and environment management system

Within the framework of the implementation of the Group's Health, Safety and Environment (HSE) Guidelines and the Corporate Workplace Health and Safety Policy, the Company continued to implement an Integrated Health, Workplace Safety, Energy and Environment Management System (SG-SSEA), in line with the ISO 14001 and ISO 45001 standards of reference.
The SG-SSEA is coordinated by the HSE Department and managed through a dedicated company portal.
With regard to Luigi Lavazza S.p.A., the ISO 45001 (Occupational Health and Safety Management System) multiplant certification was obtained for the Nuvola headquarters, the Innovation Center and the Turin, Gattinara, Pozzilli and 1895 plants, as well as for Milan's top shop; the ISO 14001:2015 (Environmental Management System) certification was confirmed for the Nuvola headquarters, the Innovation Center and the Turin, 1895, Gattinara and Pozzilli plants.
At the Lavazza Group level, the ISO 14001:2015 (Environmental Management System) certifications for Luigi Lavazza S.p.A., Lavazza Professional UK Ltd, Lavazza Professional North America LLC and Carte Noire Operations S.a.s. were confirmed, while Luigi Lavazza S.p.A., Lavazza Professional UK Ltd, Lavazza Professional North America LLC and Carte Noire Operations S.a.s. were certified ISO 45001.
The Company applied for and was awarded the appropriate extensions of its environmental permits required for the use of its production facilities.
In occupational health and safety, no serious accidents occurred and the main occupational accident indicators continued to decline in terms of both frequency and severity.

Research and development

In 2021, research and development took a huge leap forward in organisational, result and investment terms. The organisation continues to adapt to market needs through synergies between R&D functions (machines, systems and food), between geographies (with machine, food and Lavazza Professional Systems teams) and extending its skills through the creation of the Scientific and Regulatory Affairs function.
The resources aim to generate high sensory quality products that are increasingly sustainable with regard to the food and packaging areas, while in the machine field the goal is to eliminate the distance with partners and consumers through connectivity tools.

2021 was characterised both by the launch of products reflecting Lavazza's history such as the new ¡Tierra! range and by the launch of innovative products such as the new Carte Noire Ready to Drink range for the French market as well as by the new FLOS drinks for Food Service: a refreshing mix of cold brew and fruit juice, natural drinks, organic and with no added sugars.

Consistency with the environmental sustainability issues is assured by a continual process of sustainability integration along the entire supply chain based on a programme for innovating products — through the sustainable-by-design approach — and processes that leads to a concrete and measurable plan for reducing the Group's impacts.
The results are visible both in the field of recyclable flexible packs, where the long-term programme continues to be implemented and will lead to a 40% reduction in CO_2-related impacts by 2025, and in capsules, where the compostable A Modo Mio range has been accompanied for the first time with compostable solutions for the BLUE and Firma systems in the OCS, Vending and Food Service channels. The capsule world also saw the launch of the new aluminium compatible Nespresso[2] range with neutralisation of CO_2 impacts through the purchase of carbon offset credits.

For KLIX systems, distributed through professional companies, the range of beverages offered in paper cups (content of more than 96% and with a benefit in terms of CO_2 reduction of up to 60%) has been significantly expanded to replace plastic cups, which are less sustainable.

The development of the machines has supported the connection and proximity with the end consumer.
In the HCS area, the Voicy machine, with its integrated Alexa voice assistant, was launched on the market.
Models equipped with telemetry have been launched for the first time in the OCS world for the Firma range. This will help consumers to obtain better in-the-cup quality and the commercial partners to manage the machine inventory more and more efficiently.
In Food Service we are continuing to extend the range of models available with telemetry and this will enable the new machines installed to be monitored in terms of machine quality and yield.

2 Lavazza is not affiliated with, endorsed or sponsored by Nespresso.

Relationship with personnel

For the Lavazza Group, a global company with its heart in Italy, employees have always been the main resource, those who possess the skills and passion with which they contribute daily to the Group's growth.
Lavazza implemented, in all phases of the health emergency still ongoing in 2021, all the prevention measures required to ensure the highest possible safety standards and fully protect the health and safety of its people and its contractors. With the sense of responsibility that has always guided the way it operates, the Group, also contributed to the creation of a vaccination hub on the Nuvola premises, which has administered 150,000 doses of vaccine. Open Days were organised with free access for people not only to the hub but also to the Lavazza Museum, an initiative that was very successful. In addition, to support the Borgo Aurora shops hit hard by the pandemic, people who came for vaccination at the hub were provided with a gift voucher to have a coffee in one of the cafés supplied by Lavazza in the Nuvola district. Finally, in December 2021, Lavazza supported the Turin Local Health Authority in installing the technology for the opening of another vaccination hub at the Peace Arsenal.

The utmost attention to people and their professional development in terms of skill, flexibility and versatility is confirmed by the increasing number of programmes that aim to improve work organisation and enhance the best talents. Corporate welfare and tools for work-life balance are among the Group's priorities and are considered to be accelerators of positive growth. For example, in this sense, 2021 saw confirmation of the Top Employer certification, which ranks Lavazza among the most advanced companies in terms of quality of working conditions for its employees.
Investments have also been made in Digital HR, both regarding communication and performance-related aspects, and e-learning platforms.

As the central theme is people development in terms of inclusion and diversity, existing initiatives such as the "GAP free" programme were further strengthened in 2021, at the same time as expanding training, teaching, welfare and care programmes to ensure equal opportunities for people within the company.
Another example is the inclusion of disabled personnel in the company in collaboration with the Edu-Care co-operative and the Job Stations project.

The Group personnel cost has risen compared to the previous year.
The main increases are linked to normal remuneration dynamics (salary review and mandatory increases) and staff recruitment policies that have, however, been limited to supporting priority projects for the business, for product development and to strengthen skills in certain staff areas as a result of the increased complexity requiring greater central coordination.
In addition, the positive result of 2021 led to a far higher forecast for bonus payments and MBO programmes than in 2020, with a consequent increase in the associated cost. The other items linked to variable remuneration (overtime, holidays, travel allowances, etc.) saw an increase due to the resumption of normal activity but without particular changes compared to the previous year which had recorded a significant reduction, since remote work also continued in a structural way alongside, for example, other actions such as the reduction or containment of travel and business trips.
Excluding the bonus-related effect, the cost increase stood at 1.7%.
Finally, the government relief measures linked to the pandemic situation, which had been granted in 2020 (especially in France), have been significantly reduced in the current year. This phenomenon, linked to the gradual resumption of normal activities especially in the Food Service and OCS channels, further contributed to the increase in labour costs compared to the previous year, restoring a situation comparable to the pre-pandemic period.

The Parent Company LUIGI LAVAZZA S.p.A.

The figures of this section are illustrated in compliance with Italian GAAP (OIC).

Operating and financial performance of Luigi Lavazza S.p.A.

The following table shows the Luigi Lavazza S.p.A.'s operating and financial highlights at 31 December 2021 compared with the previous year:

€ million	YEAR 2021	RATIO %	YEAR 2020	RATIO %
Net revenues	1,660.7	100.0%	1,521.0	100.0%
EBITDA	236.5	14.2%	189.6	12.5%
EBIT	111.2	6.7%	87.1	5.7%
Profit before taxes	135.7	8.2%	111.0	7.3%
Profit for the year	**103.6**	**6.2%**	**91.5**	**6.0%**
Net working capital	409.4		428.8	
Net fixed assets	2,222.9		2,230.2	
Total uses	2,632.3		2,659.0	
Net financial position	233.9		378.3	
Equity	2,398.4		2,280.7	
Total sources	**2,632.3**		**2,659.0**	
Capex	64.5		56.3	
Headcount	1,781		1,741	
ROS	**6.7%**		**5.7%**	
ROI	**9.8%**		**7.2%**	
ROE	**4.3%**		**4.3%**	

Reclassified statement of profit or loss of Luigi Lavazza S.p.A.

€ million	12.2021	RATIO %	12.2020	RATIO %	CHANGES	CHANGES %
Net revenues	1,660.7	100.0%	1,521.0	100.0%	139.7	9.2%
Other income and revenues	129.9	7.8%	103.9	6.8%	26.0	25.0%
Total income and revenues	**1,790.6**	**107.8%**	**1,624.9**	**106.8%**	**165.7**	**10.2%**
Cost of sales	756.3	45.5%	724.1	47.5%	32.2	4.4%
Costs of services	580.2	34.9%	498.2	32.8%	82.0	16.5%
Other costs	43.3	2.6%	50.0	3.3%	(6.7)	(13.4%)
Total external costs	**1,379.8**	**83.1%**	**1,272.3**	**83.5%**	**107.5**	**8.4%**
Value added	410.8	24.7%	352.6	23.2%	58.2	16.5%
Personnel costs	174.3	10.5%	163.0	10.7%	11.3	7.0%
EBITDA	**236.5**	**14.2%**	**189.6**	**12.5%**	**46.9**	**24.7%**
Amortisation, depreciation and write-downs	102.1	6.1%	89.6	5.9%	12.5	13.9%
Provisions	23.2	1.4%	12.9	0.8%	10.3	79.8%
EBIT	**111.2**	**6.7%**	**87.1**	**5.7%**	**24.1**	**27.6%**
Income (expense) from investments	25.5	1.5%	30.1	2.0%	(4.6)	(15.2%)
Financial income (expense)	(1.0)	(0.1%)	(6.2)	(0.4%)	5.2	(84.4%)
Profit before taxes	**135.7**	**8.2%**	**111.0**	**7.3%**	**24.7**	**22.3%**
Income taxes	(32.1)	(1.9%)	(19.5)	(1.3%)	(12.6)	64.6%
Profit for the year	**103.6**	**6.2%**	**91.5**	**6.0%**	**12.1**	**13.3%**

Net revenues amounted to €1,660.7 million, up 9.2% compared to €1,521.0 million for 2020.

EBIT amounted to €111.2 million, up €24.1 million compared to €87.1 million for 2020. EBIT margin improved going from 5.7% to 6.7%.

Profit before taxes amounted to €135.7 million, up by €24.7 million compared to €111.0 million for the previous year, and was chiefly affected by the positive increase of retail sales, which is also supported by an excellent expansion of the e-commerce channel and a recovery, albeit gradual, of the Away From Home channels compared to 2020.

Profit for the year amounted to €103.6 million, up €12.1 million compared to 2020.

Reclassified balance sheet of Luigi Lavazza S.p.A. (*)

€ million		2021	2020	CHANGES
	Inventories	312.8	290.7	22.1
	Trade receivables	115.1	102.1	13.0
	Receivables from subsidiaries, associates and Parent	279.3	251.0	28.3
	Deferred tax assets	59.9	50.4	9.5
	Other prepayments and accrued income	37.1	37.7	(0.6)
	Property, plant and equipment held for sale	6.2	8.4	(2.2)
A.	**Total operating assets**	**810.4**	**740.3**	**70.1**
	Trade payables	278.7	204.3	74.4
	Payables to subsidiaries, associates and Parent	25.4	25.7	(0.3)
	Tax payables and payables to social security institutions	11.5	14.7	(3.2)
	Other liabilities and deferred income	85.3	64.7	20.6
B.	**Total operating liabilities**	**400.9**	**309.4**	**91.5**
C.	**Net working capital**	**409.4**	**430.9**	**(21.5)**
	Intangible assets	523.2	545.9	(22.7)
	Property, plant and equipment	365.2	375.3	(10.1)
	Financial assets	1,497.2	1,440.2	57.0
D.	**Total fixed assets**	**2,385.6**	**2,361.4**	**24.2**
	Provisions	150.6	120.7	29.9
	Employee termination indemnities	12.1	12.6	(0.5)
E.	**Total fixed liabilities**	**162.7**	**133.3**	**29.4**
F.	**Total net fixed assets**	**2,222.9**	**2,228.1**	**(5.2)**
G.	**Total invested capital, net - Uses (C + F)**	**2,632.4**	**2,659.0**	**(26.6)**
	Cash and cash equivalents	(483.3)	(179.3)	(304.0)
	Financial assets other than fixed assets	88.2	93.2	(5.0)
	Financial liabilities	629.0	464.4	164.6
H.	**Net financial position**	**233.9**	**378.3**	**(144.4)**
	Capital	25.0	25.0	-
	Reserves	724.2	677.0	47.2
	Retained earnings	1,545.6	1,487.2	58.4
	Profit for the year	103.6	91.5	12.1
I.	**Equity**	**2,398.4**	**2,280.7**	**117.7**
L.	**Total sources (I + H)**	**2,632.3**	**2,659.0**	**(26.7)**

(*) Some figures relating to the comparison period have been reclassified in order to facilitate data comparability

Net working capital amounted to €409.4 million, down €21.5 million compared to €430.9 million at 31 December 2020. The change was mainly attributable to the following components:

- a €22.1 million increase in inventories, chiefly driven by the higher green coffee purchase price;
- a €13.0 million increase in trade receivables and receivables from subsidiaries and associates amounting to €28.3 million, linked to the increase in sales recorded during the year;
- a €74.4 million increase in trade payables linked to a gradual increase, especially in the second half of the year, of sales promotions and support initiatives, as well as logistic costs and other payables amounting to €20.6 million.

Net fixed assets totalled €2,385.6 million, compared to €2,361.4 million at 31 December 2020.
The €22.7 million decrease in **intangible assets** was the result of the combined effect of higher investments for €21.0 million, chiefly attributable to the capitalisation of costs of software for long-term use, and the effect of the merger of the company Caffemotive S.r.l. for €3 million, as well as the rise in amortisation for the year amounting to €46.7 million.
The net decrease in **property, plant and equipment** amounting to €10.1 million, mainly involving plant, machinery and equipment, was chiefly attributable to the increase in total capital expenditure, net of disposals of €16.3 million, offset by higher depreciation and write-downs for the year totalling €26.4 million.

The €57.0 million increase in **financial assets** was mainly attributable to the €30 million investment in Y&L Ltd formed from the Joint Venture with Yum China and the capital injections in Lavazza Professional Holding Europe S.r.l. and Lavazza Professional Holding North America Inc., for €19.0 million and €10.4 million, respectively, offset by the decrease in financial receivables from subsidiaries and the reduction in derivatives.

Provisions rose mainly due to the greater provisions for personnel and other provisions for litigation and for risks associated with several issues.

Net financial position was negative at €233.9 million, improving by €144.4 million compared to 2020.
The increase mainly refers to the positive operating cash generation.

Reclassified statement of cash flows of Luigi Lavazza S.p.A. (*)

€ million	YEAR 2021	YEAR 2020
Profit for the year	103.6	91.5
Amortisation and depreciation	98.0	84.2
Net change in employee termination indemnities	(0.4)	(1.1)
Net change in provisions	29.9	24.8
Write-downs of equity investments and securities included in fixed assets	(3.9)	3.0
Other write-downs of fixed assets	2.8	2.6
Revaluation of property, plant and equipment	0.0	(66.9)
Revaluation reserve	0.0	64.9
Net effect of merger	(1.1)	0.20
Dividends accrued to be received	-	(4.0)
Changes in items of net working capital		
- inventories	(20.0)	(30.1)
- trade receivables	(13.0)	17.1
- receivables from others and other assets	(37.1)	24.9
- trade payables	74.4	(45.0)
- other payables and liabilities	17.2	33.2
Cash flows from (used for) operating activities	**250.4**	**199.3**
Net purchases of:		
- intangible assets	(21.0)	(19.1)
- property, plant and equipment	(43.5)	(37.2)
- investments in subsidiaries, associates and other companies	(60.1)	(51.6)
- other non-current financial assets	4.5	9.6
Cash flows from (used for) investing activities	**(120.1)**	**(98.3)**
Dividends paid	(33.1)	(50.2)
Change in hedge reserve for expected cash flows	47.2	(12.5)
Cash flows from (used for) financing activities	**14.1**	**(62.7)**
Net cash flow for the year	**144.4**	**38.3**
Net financial assets / liabilities at year-start	**(378.3)**	**(416.6)**
Net financial assets / liabilities at year-end	**(233.9)**	**(378.3)**

(*) Some figures relating to the comparison period have been reclassified in order to facilitate data comparability

Net Cash flows from operating activities were positive at €250.4 million, significantly benefiting from the positive earnings component (result for the year plus non-monetary costs) of €228.9 million, in addition to the liquidity generated by the change in net working capital of €21.5 million.

Cash flows from investing activities had an overall negative net balance of €120.1 million, composed of:

- net purchases of intangible assets (€21.0 million), mainly attributable to the capitalisation of projects relating to software for long-term use and development costs for investments in technological innovation;
- net purchases of property, plant and equipment (€43.5 million), chiefly involving plant and machinery for the development of a new capsule packaging line and a coffee transport service for the roasting machines;
- recapitalisations of investments in the subsidiaries Lavazza Professional Holding North America Inc. and Lavazza Professional Holding Europe S.r.l. (€29.4 million) owing to the need to support operating investees of both companies during the Covid-19 pandemic, which caused the drop of Away From Home consumption;
- a 35% capital increase in Y&L Coffee Ltd (€30.3 million), which is the special purpose vehicle through which Yum China Holdings and the Lavazza Group entered into a joint venture aimed at studying and developing the Lavazza Coffee Shop concept in China;
- acquisition of the company Lavazza Japan GK (€0.4 million) acquired in the year by Lavazza Professional Holding North America Inc., as part of a reorganisation of the Group's structure;
- decrease in other financial instruments (€4.5 million).

The positive change in the balance of the OCFFA reserve during the year is attributable to the revaluation of the foreign exchange derivatives portfolio (resulting from the significant revaluation of the US Dollar against the Euro) and to the effect of the green coffee price risk hedging strategies that were implemented financially during 2021 (with a positive result dictated by the growing market price trend) and the economic effects of which, due to the application of hedge accounting, have been deferred to the 2022 financial year (in conjunction with the accounting recognition of hedged supplies).

Treasury shares / shares of holding companies

The Parent Company, Luigi Lavazza S.p.A., owns 2,499,998 treasury shares of a nominal value of €1 each, fully paid up.
The Parent Company does not own and, during the financial year it did not buy and/or sell, any share of the Holding Company either directly or through a trust company or other persons.
The Parent Company did not establish secondary offices in 2021.
Luigi Lavazza S.p.A., and the Italian Group companies together with their parent/consolidating company, Finlav S.p.A., participated for the three-year period 2019-2021 in the Italian tax consolidation programme.
With regard to compliance with privacy legislation, the Company conducted assessments in view of compliance with the provisions of Regulation (EU) No. 2016/679 on the protection of natural persons with regard to the processing of personal data.

Information on management and coordination activities

The Parent Company is responsible for the management and coordination of its subsidiaries and it is not subject to management and coordination by its Parent Company, Finlav S.p.A.

Corporate governance

Luigi Lavazza S.p.A. has adopted a 'traditional' management and control model, marked by the presence of a management body, the Board of Directors, and a control body, the Board of Statutory Auditors. Audit is performed by independent auditors. The governance system is based on the general Italian statutes, the Articles of Association, the Code of Ethics and the Lavazza Group's internal rules and procedures.

The Board of Directors is the central body of the corporate governance system. It has the broadest powers for the management of the Company and the strategic guidance of the Lavazza Group, of which the Company is the Parent. In addition to its responsibilities under the law and the Articles of Association, the Board of Directors is also responsible for taking the most important decisions regarding economic and strategic matters. The Board of Directors is currently composed of 15 members, who will remain in office until the approval of the 2022 Financial Statements: the Chief Executive Officer, an Executive Director, six Non-executive Directors members of the Lavazza Family and seven independent and Non-executive Directors. The Board of Directors is chaired by Chairman Alberto Lavazza, supported by Vice Chairmen Giuseppe and Marco Lavazza and Chief Executive Officer Antonio Baravalle.

The Board of Statutory Auditors is the control body responsible for overseeing compliance with the law and the Articles of Association, respect for correct administration principles and, within its remit, adequacy of the internal control system and of the organisational, administrative and accounting structure and its actual functioning. The mandate of the Board of Statutory Auditors currently in office will expire upon approval of the 2021 Financial Statements.

Statutory auditing for the three-year period 2019-2020-2021 has been assigned to the independent auditors EY S.p.A. The independent auditors have been appointed in accordance with the Regulations of the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors, and operate independently and autonomously.

Organisational, Management and Control Model as per Legislative Decree No. 231 of 8 June 2001

In accordance with the provisions of Legislative Decree No. 231 of 8 June 2001 on the "Administrative liability of legal persons, companies and associations even without legal personality", since 2006 Luigi Lavazza S.p.A. has adopted and subsequently updated an Organisational, Management and Control Model (hereunder "231 Model") with the aim of ensuring ethical and transparent conduct aimed at reducing the risk of the offences provided for by the aforesaid Decree. The 231 Model has been updated over time taking account of the introduction of new predicate offences: the latest update was approved by resolution of the Company's Board of Directors on 11 December 2020.

The task of overseeing the operation and observance of the 231 Model, and updating it, was attributed to a Supervisory Body vested with independent powers of initiative and control.

In detail, in order to ensure greater effectiveness for the controls on the efficacy of the 231 Model adopted, the Board of Directors of Luigi Lavazza S.p.A. considered it appropriate to identify a collegiate Supervisory Body, composed of three members (two internal members who are Company managers and one external member, acting as Chairman), which meets the autonomy and independence, integrity, professionalism and continuity of action requirements.

The Supervisory Body is currently made up of the following members: Alessandro De Nicola (Chairman), Simona Musso (Chief Legal Officer and General Counsel) and Maurizio Virano (Chief Internal Auditor).

The Supervisory Body reports to the Board of Directors on the actual state of the 231 Model implementation and the outcomes of the supervisory activity carried out, through a written half-yearly report, also addressed to the Board of Statutory Auditors, that illustrates the monitoring activities carried out, the critical issues that emerged and any appropriate corrective and/or improvement measures for implementing the 231 Model.

The 231 Model and the Code of Ethics are integral parts of the Company's Internal Control System. The General Section of the 231 Model is published on the website www.lavazzagroup.com; the Special Sections regarding potentially relevant predicate offences are published on the corporate portal.

Online training sessions on the 231 Law-related issues are planned.

Antitrust Compliance Programme

The Company has defined an Antitrust Compliance Programme with the aim of identifying and assessing a specific antitrust risk, and as a means through which the Company intends to renew and strengthen its commitment to full compliance with the rules to protect competition, already enshrined in the Code of Ethics as a founding principle of the business ethics and value system of the Lavazza Group.

Central elements of the Antitrust Compliance Programme are: the Antitrust Manual, a consultation tool for the use and benefit of those who maintain, on behalf of Group companies, relationships with competitors, customers, suppliers and other stakeholders, and the Group Antitrust Compliance Officer (ACO), the first point of reference for employees when there is doubt about the compatibility of a certain behaviour with competition law.

There will be in-depth on-line and classroom training on antitrust issues, as well as periodic meetings with exposed employees to deal with specific aspects of the subject.

Privacy Organisational Model pursuant to EU Regulation No. 679/2016

The Company has adopted a Privacy Organisational Model based on the definition of roles and responsibilities in the processing of personal data.
The Board of Directors of the company has identified, within the organisation, a Data Protection Officer (DPO) for the better coordination, at Group level, of legal obligations, as well as for the control and monitoring of the application of the rules of the European Regulation on the processing of personal data and the company policies and procedures adopted on Privacy matters.

In particular, assessment and mapping activities have been carried out on data processing, described in the register that is continuously updated, combined with the related analysis and risk impact assessment (DPIA); the operational flows for the exercise of the rights of data subjects have been defined; audit activities have been carried out at third parties, suppliers of goods and services, involved in the processing of personal data as external Processors; the adequacy of the technical and organisational measures for the protection of the risk is continuously verified.

Of particular importance is the project to define the personal data retention period, due to the major impact that data deletion has on company information systems.

Finally, the project to adopt the BCR (Binding Corporate Rules) was launched, a tool allowing the transfer of personal data within the Group to non-EU subsidiaries.

Online training sessions on the subject of Privacy are planned.

Tax Compliance - Tax Control Framework

An integrated compliance process has been launched in the tax field to identify and reduce tax, fraud and customs risks. As part of this process, the Company has already obtained the status of Certified Customs Operator (Full AEO).

On 24 March 2021, the Board of Directors of the Company approved the Lavazza Group's Tax Strategy, which is inspired by the principles set out in the Code of Ethics and integrates the control measures provided for in the Organisational, Management and Control Model adopted pursuant to Legislative Decree No. 231 of 8 June 2001, where applicable. The Tax Strategy enshrines the sensitivity that the Lavazza Group has regarding responsible management of the tax variable based on trust, transparency and collaboration with institutions. It also represents the Group's commitment to consolidate and integrate tax risk management into the organisation and processes through the identification of suitable tools.

The integrated transversal compliance path TCF-AEO-231 has provided for the mapping of all the business operational processes with which tax risks are associated and the consequent definition of a Model for the detection, measurement, management and control of tax risk ("Tax Control Framework – TCF"). The Model's governance has also been defined through the identification of roles and responsibilities of the parties involved in managing the tax variable.

Appropriate training programmes will be provided to facilitate the development and dissemination at all levels of a tax risk culture.

Outlook

The year just begun promises to be extremely complex and challenging and will have to be faced with the same courage and constant determination that have allowed the Group to reach a historic milestone in terms of results in 2021.

It is believed that the war in Ukraine will not have a significant impact on the Group's business despite the fact that, on the date these financial statements are prepared, all operations in Russia have been suspended and it is impossible to supply the Ukrainian market.

If the Covid-19 pandemic now seems to have decreased in intensity and scope, thanks both to the effectiveness of the vaccination campaign and to the arrival of the spring season, the Group's attention is currently focused on the exceptional increase in the price of all the raw materials we deal with such as: green coffee primarily, but also packaging, energy and logistics costs.

The strong price volatility that marks this period makes it particularly difficult to provide completely reliable forecasting elements. However, despite the situation of uncertainty and instability, excellent execution of the Group's strategy in key markets will allow the corporate objectives to be achieved with the same resilience and constancy demonstrated in the recent pandemic period.

The Chairman of the Board of Directors

Alberto Lavazza

LAVAZZA GROUP Consolidated Financial Statements at 31 December 2021

Accounting Statements

Consolidated Statement of Financial Position

€ thousand	NOTE	31.12.2021	31.12.2020
Goodwill	10.1	957,176	917,899
Other intangible assets	10.2	448,773	446,268
Right of use	10.3	167,700	169,600
Property, plant and equipment	10.4	600,734	586,002
Investments in other companies	10.5	58,320	24,134
Non-current financial assets	10.6	33,838	46,007
Deferred tax assets	10.7	74,033	78,832
Other non-current assets	10.8	4,056	4,298
Total non-current assets		**2,344,630**	**2,273,040**
Inventories	10.9	445,921	404,713
Trade receivables	10.10	259,547	243,115
Current tax receivables	10.11	4,926	4,711
Other current assets	10.8	71,894	88,297
Current financial assets	10.6	378,018	392,712
Cash and cash equivalents	10.12	706,562	371,824
Total current assets		**1,866,868**	**1,505,372**
Assets held for sale		**6,247**	**8,397**
TOTAL ASSETS		**4,217,745**	**3,786,809**
Share capital	10.13	25,000	25,000
Reserves	10.13	2,400,275	2,249,645
Profit for the year		105,125	72,346
Equity attributable to the Group		**2,530,400**	**2,346,991**
Equity attributable to non-controlling interests	10.13	3,191	2,738
Profit (loss) for the year attributable to non-controlling interests		403	532
TOTAL EQUITY		**2,533,994**	**2,350,261**
Non-current financial liabilities	10.14	489,650	345,630
Right-of-use liabilities, non current	10.15	125,478	127,841
Provisions for employee benefits	10.16	85,942	89,753
Provisions for future risks and charges	10.17	126,948	94,311
Deferred tax liabilities	10.7	81,431	60,229
Other non-current liabilities	10.20	1,310	2,034
Total non-current liabilities		**910,759**	**719,798**
Current financial liabilities	10.14	201,032	216,230
Right-of-use liabilities, current	10.15	17,486	17,057
Trade payables	10.19	412,932	329,279
Provisions (current portion)	10.17	33,561	28,022
Current tax payables	10.18	14,517	15,273
Other current liabilities	10.20	93,464	110,889
Total current liabilities		**772,992**	**716,750**
TOTAL LIABILITIES		**4,217,745**	**3,786,809**

Consolidated Statement of Profit or Loss

€ thousand	NOTE	YEAR 2021	YEAR 2020
Net revenues	11.1	2,308,393	2,085,258
Cost of sales	11.2	(1,385,765)	(1,264,881)
GROSS PROFIT		**922,628**	**820,377**
Promotional and advertising costs	11.3	(229,992)	(185,251)
Selling costs	11.4	(183,253)	(177,945)
General and administrative expenses	11.5	(292,587)	(275,858)
Research and development costs	11.6	(15,787)	(15,041)
Other operating income (expense)	11.7	(31,736)	(44,073)
OPERATING PROFIT		**169,273**	**122,209**
Non-recurring income (expense)	11.7	-	(13,549)
Income (losses) for investments in JVs and associates	11.7	(5,690)	(948)
PROFIT BEFORE THE FINANCIAL COMPONENT AND TAXES		**163,583**	**107,712**
Financial income (expense)	11.9	171	(18,734)
Dividends and results from investments	11.9	237	107
PROFIT BEFORE TAXES		**163,991**	**89,085**
Income taxes for the year	11.10	(58,463)	(16,207)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**105,528**	**72,878**
Profit/(loss) from discontinued operations		-	-
PROFIT (LOSS) FOR THE YEAR		**105,528**	**72,878**
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**403**	**532**
PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		**105,125**	**72,346**

Consolidated Statement of Comprehensive Income

€ thousand	YEAR 2021	YEAR 2020
PROFIT (LOSS) FOR THE YEAR	105,528	72,878
Other components of comprehensive income that will be subsequently reclassified to profit / loss for the year (net of taxes):		
Translation differences of foreign financial statements	52,481	(49,620)
(Loss)/gain from hedging derivatives (cash flow hedge)	47,104	(11,048)
(Loss)/gain from securities	6,655	(3,774)
Other components of comprehensive income that will be subsequently reclassified to profit/(loss) for the year, net of taxes	**106,240**	**(64,442)**
Other components of comprehensive income that will not be subsequently reclassified to profit / loss for the year (net of taxes):		
(Loss)/gain from revaluation of defined benefit plans	4,050	(2,317)
Other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year, net of taxes	**4,050**	**(2,317)**
TOTAL COMPONENTS OF OTHER COMPREHENSIVE INCOME, NET OF TAXES	**110,290**	**(66,759)**
TOTAL PROFIT/(LOSS) NET OF TAXES	**215,818**	**6,119**
Attributable to:		
Equity holders of the Parent	215,196	5,762
Non-controlling interests	622	357

Consolidated Statement of Cash Flows

€ thousand	2021	2020
NET PROFIT	**105,528**	**72,878**
Income taxes	58,463	16,207
Financial expense/(income)	4,468	12,328
Value adjustments to financial assets/liabilities	(1,095)	1,937
RESULT BEFORE TAXES, INTEREST AND ADJUSTMENTS TO FINANCIAL ASSETS	**167,364**	**103,350**
(Gains) losses from disposal of assets	(759)	(316)
Additions to provisions, employee benefits and other non-monetary components	91,421	64,709
Amortisation, depreciation and write-downs	151,019	151,885
RESULT ADJUSTED FOR NON-MONETARY COMPONENTS	**409,045**	**319,628**
Change in trade receivables	(12,886)	59,647
Change in inventories	(35,863)	(38,854)
Change in trade payables	80,309	(37,259)
Change in other receivables/payables	(1,297)	4,174
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	**439,308**	**307,336**
Taxes paid	(54,150)	(22,046)
Use of provisions and indemnities paid	(40,354)	(42,704)
Interest and dividends collected, interest (paid)	(7,549)	(6,646)
CASH FLOWS FROM OPERATING ACTIVITIES	**337,255**	**235,940**
Purchases of property, plant and equipment	(108,474)	(90,451)
Purchases of intangible assets	(26,203)	(20,688)
Change in current financial assets	5,315	(179,052)
Change in non-current financial assets	7,705	6,017
Change in derivatives	60,870	(13,869)
Disposals (Acquisitions) of other equity investments	(30,891)	(19,933)
CASH FLOWS FROM INVESTING ACTIVITIES	**(91,678)**	**(317,976)**
New bank loans and payables		
Net reimbursement of bank loans and payables	145,497	(122,424)
Net reimbursement of right-of-use liabilities	(17,618)	(16,869)
Dividends paid	(33,376)	(50,551)
CASH FLOWS FROM FINANCING ACTIVITIES	**94,503**	**(189,844)**
Changes in equity		
Exchange rate effect	(5,342)	6,557
CASH FLOWS GENERATED (USED)	**334,738**	**(265,323)**
Cash and cash equivalents at year-start	**371,824**	**637,147**
Cash and cash equivalents at year-end	**706,562**	**371,824**

Consolidated Statement of Changes in Equity

€ thousand

MOVEMENTS IN EQUITY	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER CAPITAL RESERVES	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	RESERVE FOR ADJUSTMENTS TO EMPLOYEE BENEFITS	RESERVE FOR FVOCI FINANCIAL INSTRUMENTS	RESERVE FOR TRANSLATION DIFFERENCES	FTA RESERVE	EQUITY ATTRIBUTABLE TO THE GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2021	**25,000**	**224**	**(17,733)**	**636,143**	**1,675,624**	**(4,827)**	**(7,218)**	**3,420**	**(47,017)**	**83,376**	**2,346,992**	**3,270**	**2,394,463**
Profit for the year	-	-	-	-	105,125	-	-	-	-	-	105,125	403	105,528
Other components of comprehensive income	-	-	-	-	-	47,065	4,049	6,655	52,304	-	110,073	219	110,292
Total comprehensive profit/(loss) for the year	**25,000**	**224**	**(17,733)**	**636,143**	**1,780,749**	**42,238**	**(3,169)**	**10,075**	**5,287**	**83,376**	**2,562,190**	**3,892**	**2,566,082**
Option rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	(33,075)	-	-	-	-	-	(33,075)	(301)	(33,376)
Reclassifications - other movements	-	-	-	-	1,285	-	-	-	-	-	1,285	3	1,288
Balance at 31 December 2021	**25,000**	**224**	**(17,733)**	**636,143**	**1,748,959**	**42,238**	**(3,169)**	**10,075**	**5,287**	**83,376**	**2,530,400**	**3,594**	**2,533,994**

MOVEMENTS IN EQUITY	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER CAPITAL RESERVES	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	RESERVE FOR ADJUSTMENTS TO EMPLOYEE BENEFITS	RESERVE FOR FVOCI FINANCIAL INSTRUMENTS	RESERVE FOR TRANSLATION DIFFERENCES	FTA RESERVE	EQUITY ATTRIBUTABLE TO THE GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2020	**25,000**	**224**	**(17,733)**	**628,235**	**1,661,125**	**6,221**	**(4,901)**	**7,194**	**2,427**	**83,376**	**2,391,168**	**3,295**	**2,394,463**
Profit for the year	-	-	-	-	72,346	-	-	-	-	-	72,346	532	72,878
Other components of comprehensive income	-	-	-	-	-	(11,048)	(2,317)	(3,774)	(49,444)	-	(66,583)	(176)	(66,759)
Total comprehensive profit/(loss) for the year	**25,000**	**224**	**(17,733)**	**628,235**	**1,733,471**	**(4,827)**	**(7,218)**	**3,420**	**(47,017)**	**83,376**	**2,396,931**	**3,651**	**2,400,582**
Option rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	(50,175)	-	-	-	-	-	(50,175)	(375)	(50,550)
Reclassifications - other movements	-	-	-	7,908	(7,672)	-	-	-	-	-	236	(6)	230
Balance at 31 December 2020	**25,000**	**224**	**(17,733)**	**636,143**	**1,675,624**	**(4,827)**	**(7,218)**	**3,420**	**(47,017)**	**83,376**	**2,346,992**	**3,270**	**2,350,262**

Notes to the Consolidated Financial Statements

1. Company information

The publication of the Consolidated Financial Statements of Luigi Lavazza S.p.A. (the Parent Company) for the year ended 31 December 2021 has been authorised by the Board of Directors on 28 March 2022. Luigi Lavazza S.p.A. is a company limited by shares registered and domiciled in Italy. The registered office is in Turin, via Bologna 32.

Luigi Lavazza S.p.A. and its investee companies are directly and indirectly controlled by Finlav S.p.A., with registered office in Turin, Via Bologna 32. The Lavazza Group produces and distributes coffee in Italy and internationally under its own brand and other leading industry brands (Carte Noire, Merrild and Kicking Horse Coffee).

The Lavazza Group's Consolidated Financial Statements at and for the year ended 31 December 2021 have been prepared on a going-concern basis.

2. Accounting standards

2.1 Principles of preparation of the Consolidated Financial Statements

The Group's Consolidated Financial Statements at 31 December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS is also meant to include all revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) previously known as Standing Interpretation Committee (SIC).

The Consolidated Financial Statements have been prepared on a cost basis, taking account of impairment, where appropriate, with the exception of derivative financial instruments and new acquisitions, which have been accounted for at their fair value, unless IFRS permit a different basis of measurement.
The carrying amounts of assets and liabilities subject to fair value hedging transactions, which would otherwise be measured at cost, have been adjusted to take account of the changes in fair value attributable to the hedged risk.

The Consolidated Financial Statements have been presented in euro and all values have been rounded to thousands of euro, unless otherwise indicated.

The financial statements of consolidated subsidiaries have been prepared in reference to the same reporting period, adopt the same accounting principles as the Parent Company and have been included in the Consolidated Financial Statements from the date on which the Group acquires control until the moment such control ceases to exist. Where the Group loses control of a subsidiary, the Consolidated Financial Statements include the subsidiary's performance in proportion to the period in which the Group exercised control.
Any non-controlling interests in the equity and reserves of subsidiaries and non-controlling interests in the profit or loss for the year of consolidated subsidiaries are separately presented in the consolidated statement of financial position and consolidated statement of profit or loss.

2.2 Consolidated Accounting Statements

The statement of financial position presents a separate classification of assets and liabilities as "current/non-current". The statement of profit or loss classifies expenses by their function. The statement of cash flows has been prepared so as to represent cash flows from operating activities using the "indirect method", in accordance with IAS 7.
An asset is classified as current when:

- it is expected to be realised or is held to sell or consume, in its normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period;
- it is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in its normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period;
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3 Ongoing-concern basis

The 2021 Consolidated Financial Statements have been prepared by treating the business as a going concern, inasmuch as it may reasonably be expected that the Lavazza Group will continue to operate for the foreseeable future with a time horizon of over twelve months. For further details, reference should be made to the Directors' Single Report on Operations.

3. Consolidation area and changes

The Consolidated Financial Statements include the financial statements at and for the year ended 31 December 2021 of Luigi Lavazza S.p.A., the Parent Company, and the subsidiaries for which Luigi Lavazza S.p.A. has the power to direct the relevant activities of the company and is exposed to the variability of their performance.

The consolidation area at 31 December 2021 did not change compared with the previous year.

It should be noted that Caffemotive S.r.l. was merged into the parent company Luigi Lavazza S.p.A.
Caffemotive was acquired and included in the consolidation area at the end of 2020, and was then merged in the Parent Company effective 1 January 2021. This transaction did not generate material impacts on the Group, except for certain reclassifications to intangible assets aimed at reallocating the consolidation difference originally classified as industrial rights and patents.

The following table provides a detail of consolidated companies, associates and other minor investees.

COMPANY NAME	REGISTERED OFFICE		SHARE CAPITAL	% HELD DIRECTLY	% HELD INDIRECTLY	% HELD BY THE GROUP
PARENT COMPANY:						
Luigi Lavazza S.p.A.	Turin	EUR	25,000,000	-	-	-
COMPANIES CONSOLIDATED USING THE LINE-BY-LINE METHOD:						
Nims S.p.A.	Padua	EUR	3,000,000	97	-	100
Lavazza France S.a.s.	Boulogne	EUR	21,445,313	100	-	100
Carte Noire S.a.s.	Boulogne	EUR	103,830,406	100	-	100
Carte Noire Operations S.a.s.	Lavérune	EUR	28,523,820	-	100	100
Lavazza Kaffee G.m.b.H.	Vienna	EUR	218,019	100	-	100
Lavazza Deutschland G.m.b.H.	Frankfurt	EUR	210,000	100	-	100
Lavazza Premium Coffees Corp.	New York	USD	38,849,367	93	-	93
Kicking Horse Coffee Co. Ltd	Invermere	CAD	214,994,203	80	-	80
Lavazza Coffee (UK) Ltd	Uxbridge	GBP	1,000	100	-	100
Lavazza Spain S.L.	Barcelona	EUR	1,090,620	100	-	100
Lavazza Sweden AB	Stockholm	SEK	100,000	100	-	100
Lavazza do Brasil Ltda	Rio de Janeiro	BRL	77,097,753	100	-	100
Cofincaf S.p.A.	Turin	EUR	3,000,000	99	-	99
Lavazza Netherlands B.V.	Amsterdam	EUR	111,500,000	100	-	100
Fresh & Honest Café Ltd	Chennai	INR	91,304,920	-	100	100
Lavazza Argentina S.A.	Buenos Aires	ARS	39,750,932	98	2	100
Lavazza Australia Pty Ltd	Hawthorn	AUD	7,310,600	100	-	100
Lavazza Capital S.r.l.	Turin	EUR	200,000	100	-	100
Merrild Kaffe ApS	Middelfart	DKK	50,000	100	-	100
Merrild Baltics SIA	Line	EUR	2,828	-	100	100
Lavazza Professional France S.a.s.	Roissy en France	EUR	279,706	-	100	100
Lavazza Professional North America LLC	Wilmington, Delaware	USD	n.a.	-	100	100
Lavazza Professional Holding North America Inc.	Wilmington, Delaware	USD	1	100	-	100
Lavazza Professional (UK) Limited	Basingstoke	GBP	34,084,001	-	100	100
Lavazza Professional (UK) Operating Services Limited	Basingstoke	GBP	2,630,000	-	100	100
Lavazza Professional Germany G.m.b.H.	Verden	EUR	50,000	-	100	100
Lavazza Japan GK	Tokyo	JPY	1,000	-	100	100
Lavazza Australia OCS Pty Ltd	Mulgrave	AUD	3,000,000	-	100	100
Lavazza Professional Holding EU S.r.l.	Turin	EUR	1,000,000	100	-	100
COMPANIES CONSOLIDATED USING THE EQUITY METHOD:						
Y&L Coffee Ltd	Hong Kong	USD	120,000,000	35	-	35
La Manufacture de Café Alain Ducasse S.a.s.	Paris	EUR	10,000	50	-	50
OTHER INVESTMENTS						
Lavazza Maroc S.a.r.l.	Casablanca	MAD	10,000	100	-	100
Lavazza Trading (Shenzhen) Co. Ltd	Shenzhen	CNY	8,201,500	100	-	100
International Coffee Partners G.m.b.H.	Hamburg	EUR	175,000	20	-	20
INVESTMENTS VALUED AT FAIR VALUE:						
INV. A.G. S.r.l.	Milan	EUR	207,637,307	11	-	11
Clubitaly S.p.A.	Milan	EUR	6,164,300	-	6	6
Connect Ventures One LP	London	GBP	n.a.	3	-	3
Casa del Commercio e Turismo S.p.A.	Turin	EUR	114,700	3	-	3
Air Vallée S.p.A.	St. Christopher	EUR	6,000,000	2	-	2
Tamburi Investment Partners S.p.A.	Milan	EUR	95,877,237	-	0.3	0.3
Immobilière 3F (previously Le Foyer du Fonctionnaire)	Paris	EUR	46,552,000	n.a.	-	n.a.
Idroelettrica S.c.r.l.	Aosta	EUR	50,000	0.1	-	0.1
Solar Investment Group B.V.	Milan	EUR	4,738,042	-	1	1

LAVAZZA GROUP

COMPANY OFFICERS
GROUP STRUCTURE
LETTER TO SHAREHOLDERS
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LAVAZZA GROUP
Consolidated Financial Statements at 31 December 2021

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4. Consolidation criteria

The Consolidated Financial Statements include the financial statements of Luigi Lavazza S.p.A. and its subsidiaries at 31 December 2021. Control is achieved when the Group is exposed or entitled to variable returns arising from its relationship with the investee entity, together with the ability to influence such returns by exercising its power over the said entity.
Specifically, the Group controls an investee if it has all the following:

- power over the investee, that is to say the ability to direct the relevant activities of the investee, i.e., the activities that significantly affect the investee's returns;
- rights to variable returns (positive or negative) from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In general, the majority of voting rights is deemed to entail controls over the investee. In support of this presumption, and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- contractual agreements with other vote-holders;
- rights under contractual agreements;
- voting rights and potential voting rights of the Group.

Consolidation of an investee begins from the date the Group obtains control of the investee and ceases when the Group loses control of the investee. Assets, liabilities, revenues and costs of the subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer has control over the subsidiary.
All subsidiaries are consolidated using the line-by-line method. According to this method, the consolidated entities' assets, liabilities, income and expenses are incorporated into the consolidated financial statements line by line. The carrying amount of the equity investments is derecognised together with the corresponding share of the investees' equity, attributing each asset and liability its current value at the date of acquisition of control. Any residual difference, where positive, is taken to goodwill; where negative, it is recognised through profit or loss.
When preparing the Consolidated Financial Statements, all elements of assets and liabilities, income and expenses and cash flows between Group entities are eliminated, along with unrealised gains and losses on intra-Group transactions.
All assets and liabilities of foreign entities in currencies other than the euro that fall within the scope of consolidation are translated at the spot exchange rates at the reporting date (current exchange rate method), whereas the related revenues and costs are translated at the average exchange rates for the year. Exchange differences on the translation of foreign operations arising from this method are classified in Equity.
The profit (loss) for the year and all other components of other comprehensive income are attributed to the shareholders of the parent company and non-controlling interests, even if this entails that minority interests have a negative balance. Where necessary, the financial statements of the subsidiaries are adjusted as appropriate in order to ensure compliance with the Group's accounting policies. All intra-Group assets and liabilities, equity, revenues, costs and cash flows relating to transactions between Group entities are fully eliminated during the consolidated process.

Changes in the percent interest in a subsidiary that do not entail a loss of control are accounted for using the equity method.
The Consolidated Financial Statements are presented in euro, the functional and presentation currency adopted by the Parent Company. Each Group entity determines its own functional currency, which is used to measure the items included in the individual financial statements. The Group adopts the direct consolidation method. The amount that arises from the use of this method is represented by the gain or loss reclassified to the statement of profit or loss when a foreign subsidiary is disposed of.

The exchange rates used for translating financial statements denominated in currencies other than the Euro are as follows:

	2021		2020	
Currency	AVERAGE EXCHANGE RATE	YEAR-END	AVERAGE EXCHANGE RATE	YEAR-END
Argentine Peso (*)	116.36	116.36	103.25	103.25
Australian Dollar	1.57	1.56	1.66	1.59
Brazilian Real	6.38	6.31	5.89	6.37
Canadian Dollar	1.48	1.44	1.53	1.56
Danish Krone	7.44	7.44	7.45	7.44
Pound Sterling	0.89	0.84	0.89	0.90
Indian Rupee	87.44	84.23	84.63	89.66
Japanese Yen	129.88	130.38	121.83	126.49
Swedish Krona	10.15	10.25	10.49	10.03
US Dollar	1.18	1.13	1.14	1.23

(*): Company in hyperinflation; average exchange rate, identical to the year-end exchange rate has been applied, pursuant to IAS 29

5. Main principles used for the preparation of the Financial Statements

Business combinations and goodwill

Business combinations are recognised in accordance with IFRS 3, using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at its acquisition date fair value, and the amount of the minority interest in the acquiree. For each business combination, the Group determines whether to measure the minority interest in the acquiree at fair value or in proportion to the minority interest share of the acquiree's identifiable net assets. Acquisition costs are expensed during the year and classified as administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions in effect at the acquisition date.
Any contingent consideration to be paid is recognised by the acquirer at its acquisition date fair value.
Goodwill is initially recognised at cost, represented by the amount by which the sum of the consideration paid and amount recognised for minority interests exceeds the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the consideration, the difference (gain) is taken to the statement of profit or loss. Any ancillary costs related to the business combination are recognised through profit or loss.

After initial recognition, goodwill is not amortised, but measured at cost, net of cumulative impairment losses. For impairment-testing purposes, the goodwill acquired in a business combination is allocated at the acquisition date to each cash-generating unit of the Group that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to the units concerned.
If goodwill has been allocated to a cash-generating unit, and the entity disposes of part of the unit's assets, the goodwill associated with the asset disposed of is included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the asset disposed of is determined on the basis of the values of the asset disposed of and the retained portion of the cash-generating unit.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence means the power to participate in the financial and operating policy decisions but not to control them.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
The Group's investments in associates and joint ventures are measured using the equity method.
Their goodwill is included in the accounting value of the investment and is not subject to a separate impairment test.
Following the application of the equity method, the Group assesses whether it is necessary to recognise any impairment of its equity interest as the difference between the recoverable amount and carrying amount of the said equity interest.
When the Group ceases to have a significant influence over the associate, it measures and recognises the remaining investment at fair value. The difference between the carrying value of the investment at the date significant influence or joint control cease and the fair value of the remaining investment and the consideration received is recognised through profit or loss.

Fair value measurement

The Group measures financial instruments such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances in question and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows:

- level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities, which the entity can access at measurement date;
- level 2 — input other than quoted prices included in level 1, directly or indirectly observable for the asset or liability;
- level 3 — valuation techniques for which the input data are unobservable for the asset or liability.

The fair value measurement is wholly classified in the same fair value hierarchy level in which the lowest level input used for measurement is classified.
For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations. The Group is comprised of the heads of properties, acquisitions and mergers, the head of risk management, chief finance officers and the managers of each manufacturing unit.
At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies.
For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.
The Group, in conjunction with the Group's external appraisers, compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. The valuation results are shared with the Group's Statutory Auditors and Independent Auditors. The presentation includes a discussion of the major assumptions used in the valuations.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.
Fair-value related disclosures for financial instruments and assets and liabilities valued at fair value are summarised in paragraph 10.22 of these Notes.

Other intangible assets

The intangible assets acquired are recognised in accordance with IAS 38 – Intangible Assets where the use of the assets is likely to give rise to future economic benefits and the cost of the asset may be reliably determined.
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation rates are controlled every year and the changes are recognised through profit or loss.
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.
Any gain or loss arising upon derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in the statement of profit or loss for the year when the asset is derecognised.

Research and development costs

Research and development costs are fully charged to the statement of profit or loss for the financial year in which they are incurred. Development costs borne for a specific project are recognised as intangible assets when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete and use or sell the asset;
- how the intangible asset will generate future economic benefits;
- the availability of resources to complete the development;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, development costs are carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Development is amortised over the period of expected future benefit and amortisation rates are recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Patents and licences

The costs of patent rights, concession rights, licences and other intangible assets are recognised as assets only if they are capable of generating future economic benefits for the company. Such costs are amortised according to their useful lives, where finite, or on the basis of their contractual term. Software licences refer to the purchase cost of the licences and any external or internal personnel consultancy costs required for development. They are expensed during the year in which the internal or external costs relating to training of personnel and any other related costs are incurred.

The following table provides a summary of the amortisation rates applied to the Group's intangible assets:

Capitalised research costs	3-7 years
Rights for industrial patents and rights for exploitation of intellectual property	3-5 years
Licences and similar rights	5 years
Other	3-5 years

Property, plant and equipment

Property, plant and equipment are carried at historical cost, less accumulated depreciation and any accumulated impairment losses. Land is recognised at historical cost less any impairment losses. Such cost includes the cost, as incurred, of replacing part of the plant and equipment if the recognition criteria are met.
Costs incurred after purchase are only capitalised if they increase the future economic benefits that may be derived from the use of the asset. The costs of replacing identifiable components of complex assets are capitalised and depreciated over their useful lives; the residual carrying amount of the replaced component is taken to the statement of profit or loss. Other costs are recognised in profit or loss as incurred.
Financial expenses incurred in respect of investments in assets for which a certain period of time is normally required before the asset is ready for use or sale (qualifying assets pursuant to IAS 23 – Borrowing Costs) are capitalised and depreciated over the useful life of the class of assets to which they refer. All other borrowing costs are recognised in profit or loss as incurred.
Ordinary maintenance and repair costs are recognised in the statement of profit or loss of the financial year in which they are incurred.
Depreciation is calculated on a straight-line basis over the estimated useful lives of the individual assets, based on the Group's usage plans, which also take into account the estimated physical wear and tear and technological obsolescence of the asset, as well as the presumable expected realisable value, net of disposal costs.
Where an item of property, plant and equipment consists of multiple significant components with different useful lives, depreciation is applied to each component.
The value to be depreciated is represented by the carrying amount, less the presumed net disposal value at the end of its useful life, where material and reasonably determinable.
Land is not depreciated, even where purchased together with a building, nor are items of property, plant and equipment held for sale, which are measured at the lesser of their initial recognition amount and fair value, net of costs to sell.

The following depreciation rates are used:

Buildings	60 years
Buildings not used for business	80 years
Plant and machinery	10-30 years
Industrial equipment and moulds	3-10 years
Espresso machines and other commercial equipment	3-7 years
Furniture and fittings	8 years
Means of transport	8-12 years
Electronic machinery	5 years

The carrying amount of an item of property, plant and equipment, and all initially recognised significant components are derecognised when they are disposed of or no future economic benefit is expected from their use or sale. The gain or loss that arises upon the derecognition of an asset (calculated as the difference between the carrying amount of the asset and the net consideration) is taken to the statement of profit or loss when the asset is derecognised.
The residual values, useful lives and depreciation methods for property, plant and equipment are revised at each reporting date and, where appropriate, adjusted prospectively.

Rights of use of third-party assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement and requires and assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset (or specific assets) and the arrangement conveys a right to use the asset (or assets). Such assessment is carried out on inception of the lease. Under IFRS 16, lease contracts are accounted for by recognising in the statement of financial position a lease liability of a financial nature representing the present value of future lease payments and recognising under assets the right of use of the leased asset. At the commencement date, the right of use is recognised at cost and includes: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred to sign the contract and the present value of estimated costs to be incurred in dismantling the underlying asset or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. Subsequently, the right of use is depreciated over the lease term (or the useful life of the asset if shorter), subject to any impairment losses and adjusted for any remeasurement of the lease liability.

Impairment

Assets with an indefinite useful life, which are not amortised, are tested for impairment annually and whenever circumstances indicate that their carrying amount may be impaired, as defined by IAS 36.
Assets subject to depreciation are tested for impairment only in the event relevant impairment indicators are identified.
The recoverable amount of goodwill acquired and allocated during the year is assessed at the end of the period in which the acquisition and allocation occurred.
For the purposes of determining its recoverable amount, goodwill is allocated, at the acquisition date, to a CGU (or group of CGUs) benefiting from the acquisition.
Potential impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its price of sale less costs of disposal and its value in use, that is the present value of expected future cash flows, net of taxes, by applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is initially accounted for by reducing the carrying amount of the goodwill allocated to the CGU (or group of CGUs) and only subsequently to the other assets in the unit, in proportion to their carrying amount, up to the recoverable amount of assets with finite useful lives. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. When an impairment of an asset other than goodwill subsequently ceases to exist or decreases, the carrying amount of the CGU is written up to the new estimated recoverable amount. The reversal cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. The reversal is immediately recognised in the statement of profit or loss.

Financial assets

Initial recognition and measurement

At initial recognition, financial assets are classified, on a case-by-case basis, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.
A financial asset may be classified and measured at amortised cost or fair value through OCI, if it generates cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through profit or loss.

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are tested for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, a loan to an associate and a loan to a director included under other non-current financial assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (DEBT INSTRUMENTS)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.
The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity instruments under IFRS 9 – Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recognised in other comprehensive income. Equity instruments designated at fair value through OCI are not tested for impairment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.
This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.
A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.
A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of a financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without delay to a third party, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement whereby it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.
With regard to trade receivables and contract assets, the Group applies a simplified approach for calculating ECLs. Therefore, instead of recognising the changes in credit risk, the Group recognises a write-down provision based on ECLs outstanding at each reporting date.
The provision consists of a specific and a generic component. The specific component is determined based on the following rules:

- bad and doubtful debts: write-down of 100%;
- past-due by more than 365 days: write-down of 100%;
- all FS clients with debts past-due by more than 180 days: write-down of 100%;
- all FS clients with mixed positions: write-down of 50% of debts past-due by more than 180 days;
- all past-due debts by more than 90 days not included in the previous categories: write-down of 25%;
- coffee Shop miscellaneous and past-due debts: ad-hoc write-down;
- debts as indicated by the Credit Manager: ad-hoc write-down.

The generic component that does not fall in the above-mentioned categories is determined based on trade receivables, excluding intercompany balances. With regard to these exposures, the outstanding ECL is calculated on the basis of historical data.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, including directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing or transferring them in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities are designated upon initial recognition at fair value through profit or loss only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss upon initial recognition.

LOANS AND BORROWINGS

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or following the amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expenses in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition of a financial liability

A financial liability is derecognised when the obligation underlying the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss for the year.

Financial assets and financial liabilities may be offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivatives

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.
Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). The hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

FAIR VALUE HEDGES

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.
For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.
If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.
When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative changes in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.
The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in planned transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.
Beginning 1 January 2018, the Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component.
The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction.
For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the remaining (ineffective) portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses is transferred to the statement of profit or loss.

Inventories

Inventories are valued at the lower of cost and realisable value.
Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- raw materials: purchase cost on a weighted mean cost basis;
- finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

The cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.
The presumable net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Provisions for impairment are calculated for materials, finished products, replacement parts and other goods deemed obsolete or slow-moving, in view of their expected future use and realisable value.

Cash and short-term deposits

Cash and short-term deposits comprise cash and demand and short-term deposits with a maturity of three months or less, which are not subject to significant risks of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Cash and cash equivalents are recognised, depending on their nature, at nominal value or at amortised cost.

Treasury shares

Treasury shares are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.
The Directors' Single Report on Operations provides further information on this item.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

Provisions for employee benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.
Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.
Remeasurements are not reclassified to profit or loss in subsequent periods.
Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment

and

- the date that the Group recognises related restructuring costs.

Net interest of the net asset or liability for defined benefits must be calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under cost of sales, administration expenses and selling and distribution expenses in the consolidated statement of profit or loss (by nature):

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- net interest expense or income.

Revenues

Revenues are generated by the Group's ordinary operations and include revenues from sales and the provision of services. Revenues are recognised net of VAT, returns and discounts.
Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for such goods or services. The Group has generally concluded that it acts as Principal for the agreements that give rise to revenue, since it usually controls the goods and services before they are transferred to the customer. When determining the price of the transaction for the sale of goods, the Group considers the effects deriving from the presence of variable consideration, significant financing components and non-monetary considerations. If the consideration promised in the contract includes a variable amount, such as the amount related to a right of return, the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of goods to the customer. The process underlying the recognition of revenue follows the phases provided for by IFRS 15.
The transfer of control generally coincides with the shipment or delivery of the goods.
Service revenues are recognised in profit or loss when the services are completed, or on an ongoing basis to the extent that the services in question have been rendered during the year.

Sales of machines

Revenues from the sale of coffee machines are recognised when the significant risks and rewards associated with ownership of the goods are transferred to the buyer, when it is likely that the consideration will be recovered, the related costs or return, where applicable, may be reliably estimated and the management ceases to carry out the level of ongoing activity typically associated with ownership of the goods sold.
The transfer of the risks and rewards normally coincides with shipment to the client, which corresponds with the moment of delivery of the goods to the carrier.
When recognising revenues, the Group verifies whether there are conditions that represent separate services to which a share of the price of sale is to be attributed. Accordingly, sales revenues include the effects of variable components, the existence of significant financial components, non-monetary consideration and any consideration due to the client.
The Group typically provides warranties for the repair of defects existing at the time of sale, in accordance with the law. These standard quality warranties are accounted for in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets. Please refer to the Note on warranties.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.
When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss on a straight-line basis over the expected useful life of the asset.

Dividends

The Parent Company recognises a liability for a dividend payment when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per applicable European corporate laws, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Income taxes

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.
This calculation is therefore carried out using all the elements and information available at the reporting date, taking account of laws in force from time to time and also considering and including all the elements in the valuations that could give rise to uncertainties when determining the amounts payable to the taxation authorities, as provided for by IFRIC 23.
Income taxes are recognised in the Consolidated Statement of Profit or Loss, except for those relating to items debited or credited directly to an equity reserve; in these cases, the related tax effect is recognised directly in the respective equity reserves.

Deferred taxes

Deferred taxes are provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- when the reversal of taxable temporary differences, linked to investments in subsidiaries and associates, can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available so that the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on current tax rates, or approved tax rates, or rates that are substantively in force at the reporting date.
Deferred taxes relating to items recognised outside profit or loss are also recognised outside profit or loss, thus in equity or in OCI consistently with the underlying element.
Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss if it was recognised subsequently.
The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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6. New accounting standards and interpretations issued by the IASB

The Group applied for the first time several standards or amendments that entered into force on 1 January 2021.
The Group did not opt for early application of any of the new standards, interpretations or amendments issued but not entered into force yet.

Accounting standards, amendments and interpretations applicable as at 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 – Interest Rate Benchmark Reform – Phase 2

On 13 January 2021 Regulation (EU) No. 2021/25 was issued. It endorses a series of amendments to IFRS standards regarding the reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements.
The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.
The amendments in this final phase relate to:

a. changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

b. hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria;

c. disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of these amendments did not impact the Consolidated Financial Statements.

Amendments to IFRS 16 — Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

On 9 October 2020, Regulation (EU) No. 2020/1434 was issued to implement several amendments to IFRS 16 aimed at simplifying lessees' accounting of Covid-19-related rent concessions. The amendment allows a lessee not to apply the requirements of IFRS 16 relating to the accounting effects of contract modifications for rent concessions granted by lessors as a direct consequence of the Covid-19 epidemic.
The amendment introduces a practical expedient according to which a lessee may choose not to account for rent concessions as if they were lease modifications. A lessee that chooses to adopt this practical expedient recognises such concessions as if they were not contract modifications within the scope of IFRS 16.
The amendments were supposed to be applicable until 30 June 2021, but as the impact of the COVID-19 pandemic continues, on 31 March 2021 the IASB extended the period for applying the practical expedient up to 30 June 2022.
The amendments apply to financial years starting on or after 1 April 2021.
The adoption of these amendments had a positive effect on the Consolidated Financial Statements at 31 December 2021 amounting to approximately €300 thousand and referring property leases.

New accounting standards and interpretations issued by IASB but not yet applicable

As at the date of preparation of these Consolidated Financial Statements, the IASB had issued the following new Standards and Interpretations not yet in effect:

	APPLICATION MANDATORY AS OF
New Standards/ Interpretations not yet endorsed by the EU	
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	01/01/2023
Amendments to IAS 1 – Presentation of Financial Statements: Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01/01/2023
Amendments to IAS 12 – Income Taxes: Assets and Liabilities Arising from a Single Transaction	01/01/2023
New Standards/ Interpretations endorsed by the EU but not yet effective	
Amendments to: IFRS 3 – Business Combinations; IAS 16 – Property, Plant and Equipment; IAS 37 – Provisions, Contingent liabilities and Contingent Assets; Annual Improvements 2018 – 2020 Cycle	01/01/2022

The possible impacts on the Consolidated Financial Statements of the new Standards/ Interpretations are currently under assessment.

7. Estimates and assumptions

The preparation of the Financial Statements and related Notes requires management to make estimates and assumptions based also on subjective judgements, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and the amount of revenues and costs during the reporting period.
The key assessment procedures and assumptions concerning the future used by the management in the application of accounting processes and that can have significant effects on the items recognised in the Consolidated Financial Statements or for which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised below.

Due to the uncertainty associated with the unprecedented nature of the Covid-19-related situation, the Group has carefully assessed and considered the pandemic's impact on year-end data and provided, where necessary, specific disclosure to take account of its effects on the profit or loss results.
A targeted analysis was carried out to identify, and consequently manage, the main risks and uncertainties to which the Group is exposed.
In particular, all the significant assumptions and estimates underlying the preparation of the following items have been examined and analysed in detail in order to identify and manage the uncertainties linked to the unpredictability and potential impact of the pandemic: impairment of non-financial assets, fair value valuation of financial instruments, valuation of expected credit losses, deferred tax assets and tax relief, recognition of revenues, leases, provisions and onerous contracts.
The analysis conducted did not highlight any critical situations that cannot be addressed in the normal course of business.
Where the analysis has not led to particular conclusions, additional specific information is provided in the Notes to the Consolidated Financial Statements, whilst no particular explanations are provided when the effects of the Covid-19 pandemic have had no specific impact on the Group's financial performance, financial position and cash flows.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less costs of disposing of the asset. The calculation of the value in use calculation is based on a DCF model. The estimate of future cash flows is based on plans approved by the Board of Directors having a horizon of at least five years and is founded on reasonable and sustainable assumptions, in keeping with the consistency between prospective and historic cash flows. In addition, the cash flows do not include restructuring activities to which the Group has not yet committed or significant future investments that will increase the results of the assets making up the cash-generating unit being valued. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as to the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in paragraph 10.2.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Defined benefit plans

The cost of the defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed yearly.
The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the directors refer to the interest rate on corporate bonds denominated in currencies consistent with the currencies of the defined benefit obligations, rated AA or higher by internationally recognised rating agencies, with average maturities corresponding to the expected duration of the defined benefit obligations. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.
The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are provided in paragraph 10.16.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of derivative and is thus a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (see Notes 10.21 and 10.22 for details).

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. In 2021, the carrying amount of capitalised development costs was €3.5 million, whereas those capitalised in the previous year amounted to €3.1 million.

8. Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

9. Reconciliation between the Financial Statements of Lavazza S.p.A. and the Consolidated Financial Statements as of 31 December 2021

	EQUITY ATTRIBUTABLE TO THE GROUP	PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP
Luigi Lavazza S.p.A. - separate financial statements based on Italian GAAP	2,398,448	103,604
IFRS / IAS adjustments Luigi Lavazza S.p.A.	94,860	17,290
Luigi Lavazza S.p.A. - based on IFRS/IAS	2,493,308	120,894
Difference between the carrying amount and the share of the book equity of investees	(60,922)	16,040
Elimination of dividends and results of equity investments	-	(21,114)
Difference from consolidation for acquisitions	129,812	-
Other consolidation adjustments including intercompany profit	(31,798)	(10,292)
TOTAL	**2,530,400**	**105,528**

- the effects of the IFRS/IAS adjustments of Luigi Lavazza S.p.A. mainly referred to the measurement of intangible assets, and in particular the write-off of depreciation and amortisation of assets that the international standards classify among those with indefinite useful lives;
- differences from consolidation for acquisitions mainly refer to the positive differences between the consideration paid and net assets acquired following the acquisitions and business combinations and are chiefly recognised as goodwill in the Consolidated Financial Statements and not recognised in the Financial Statements of the individual subsidiaries.

Notes to the Consolidated Financial Statements

10. Consolidated Statement of Financial Position

10.1 Goodwill

The following table shows the item "Goodwill" at 31 December 2021 and its change in the reporting year:

Balance at 31.12.2020	**917,899**
Exchange delta and other changes	39,277
Balance at 31.12.2021	**957,176**

The change in goodwill was chiefly attributable to the positive exchange rate effect for goodwill denominated in foreign currencies (in particular US Dollar and Canadian Dollar). The change also included a €823 thousand reclassification of industrial patents following the allocation of the consolidation difference arising from the acquisition of the interest in Caffemotive S.r.l., finalised at the end of the previous year.
In 2020, the consolidation difference had been fully allocated to industrial patents for approximately €2.7 million; in the reporting year, it was partly reclassified following the merger of the investee in the Parent Company, effective 1 January 2021.
The following table provides the breakdown of goodwill by CGU:

	31.12.2020	EXCHANGE RATES AND OTHERS	31.12.2021
CGU America	383,357	31,164	414,521
CGU France	419,322	282	419,604
CGU Italy	18,723	823	19,546
CGU Rest of Europe and Rest of world	96,497	7,008	103,505
Total	**917,899**	**39,277**	**957,176**

10.2 Other intangible assets

The following table shows the composition and movements of other intangible assets:

	BALANCE AT 31.12.2020	INCREASES	(DECREASES)	RECLASSIFICATIONS	EXCHANGE DELTA	BALANCE AT 31.12.2021
Development costs						
Gross value	14,214	354	-	3,171	52	17,791
(Write-down provision)	(171)	-	-	-	-	(171)
(Accumulated depreciation)	(9,540)	(1,931)	-	-	(28)	(11,498)
Net value	**4,504**	**(1,577)**	**-**	**3,171**	**24**	**6,122**
Rights for industrial patents and rights for exploitation of intellectual property						
Gross value	26,367	37	-	(1,245)	1,382	26,541
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(6,456)	(3,255)	-	16	(436)	(10,130)
Net value	**19,911**	**(3,218)**	**-**	**(1,229)**	**946**	**16,411**
Concessions, licenses and similar rights						
Gross value	182,745	651	-	377	396	184,169
(Write-down provision)	-	-	-	-	-	
(Accumulated amortisation)	(55,014)	(10,124)	-	18	(221)	(65,340)
Net value	**127,730**	**(9,472)**	**-**	**396**	**175**	**118,829**
Trademarks						
Gross value	510,544	-	-	-	5,783	516,328
(Write-down provision)	(311,037)	-	-	-	-	(311,037)
(Accumulated amortisation)	(2,987)	(1,493)	71	-	(247)	(4,655)
Net value	**196,520**	**(1,493)**	**71**	**-**	**5,537**	**200,635**
Total other intangible assets						
Gross value	129,693	3,705	(873)	18,434	3,900	154,858
(Write-down provision)	-	-	-	-	-	-
(Accumulated amortisation)	(40,969)	(15,124)	18	(5)	(672)	(56,752)
Net value	**88,723**	**(11,419)**	**(855)**	**18,428**	**3,229**	**98,106**
Fixed assets in process and advances						
Gross value	8,878	21,390	-	(21,645)	45	8,669
(Write-down provision)	-	-	-	-	-	-
Net value	**8,878**	**21,390**	**-**	**(21,645)**	**45**	**8,669**
Total intangible assets						
Gross value	872,442	26,138	(873)	(908)	11,559	908,357
(Write-down provision)	(311,207)	-	-	-	-	(311,207)
(Accumulated amortisation)	(114,966)	(31,926)	89	29	(1,603)	(148,377)
Net value	**446,268**	**(5,788)**	**(784)**	**(879)**	**9,956**	**448,773**

The increases in other intangible assets and fixed assets in process mainly refer to new IT (Information Technology) investments made in the reporting year to strengthen the Group's integration process; these investments were mainly obtained through external sources.
Reclassification mainly referred to those resulting from the merger of Caffemotive S.r.l. into the Parent Company, as described in the previous section.

Impairment test of goodwill and intangible assets with indefinite useful lives

The goodwill and trademarks with indefinite useful lives acquired in business combinations (€957,176 thousand and €192,014 thousand, respectively) have been allocated to cash generating units for impairment-testing purposes. Four cash generating units (CGUs) have been identified for this purpose on a geographical basis: Italy, France, America, Rest of Europe and Rest of World, in accordance with management's business governance and that also reflects CGUs' geographical location.
The carrying amounts of the CGUs (coinciding with the value of net invested capital) have been tested for recoverability by comparing them with their recoverable amounts, calculated as the net present value of the future cash flows that are estimated to derive from ongoing use of the assets concerned ("value in use"). At the end of the explicit forecast period represented by the cash flows based on the projected financial performance up to 2026 were used to estimate a terminal value equal to the value of the cash flows at the end of the explicit period to reflect the value of the CGUs beyond the plan period on a going-concern basis.
The main assumptions adopted in determining the value in use are set out below broken down by CGU.

CGU	WACC	G RATE
Italy	8.5%	0.9%
France	7.6%	1.5%
America	6.8%	2.2%
Rest of Europe and Rest of the world	8.4%	2.1%

The discount rate was calculated as the average cost of capital (WACC) in Euro, according to a post-tax configuration, based on the weighted average cost of capital, calculated on the basis of the CAPM (Capital Asset Pricing Model) and the Group's borrowing costs.
As required by IAS 36, this rate was determined by reference to industry's operating risk level and the financial structure of a set of listed companies comparable to the Group in terms of risk profile and business sector. The discount rate applied has been calculated to reflect the risk in the geographical areas in which the Group operates, taking the breakdown of EBITDA in the final year of the explicit forecast period (2026) as the WACC weighting factor for each geographical area. In particular, the calculation takes account of the following elements:

- the risk-free rate: considering the country risk represented by CDSs for each area;
- the unlevered beta defined by geographical area;
- the market risk premium: market data.

The test carried out did not identify any need for impairment with regard to the carrying amount, goodwill and other assets with indefinite life. The value of use of CGUs, calculated as described above, exceeded their carrying amount. The Group has also conducted various analyses of the sensitivity of the test results to changes in the underlying assumptions conditioning the value in use of the cash generating units (discount rate, WACC, g growth rate and long-term margins). The elaboration of alternative scenarios which foresee a delay in the recovery, reflecting the current level of uncertainty about future economic prospects, highlighted the presence of headroom for all the CGUs as well.

10.3 Rights of use

Rights of use totalled €167,700 and refer for €167,610 to contracts for property, plant and equipment and for €90 thousand to right-of-use intangible assets, namely right-of-use software.
The breakdown and movements of rights of use of intangible fixed assets are shown in the following tables:

	BALANCE AT 31.12.2020	INCREASES	(DECREASES)	EXCHANGE DELTA	BALANCE AT 31.12.2021
Right-of-use Land and buildings					
Gross value	62,537	12,553	(5,119)	2,042	72,013
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(12,228)	(7,592)	618	(272)	(19,451)
Net value	**50,309**	**4,961**	**(4,501)**	**1,770**	**52,562**
Right-of-use Leased buildings					
Gross value	115,844	-	-	-	115,844
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(12,518)	(3,510)	-	-	(16,029)
Net value	**103,325**	**(3,510)**	**-**	**-**	**99,815**
Right-of-use Industrial and commercial equipment					
Gross value	7,327	1,097	(583)	18	7,860
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(1,100)	(1,090)	574	(11)	(1,627)
Net value	**6,228**	**7**	**(9)**	**8**	**6,233**
Right-of-use Furniture and fittings					
Gross value	376	59	(115)	-	320
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(141)	(72)	105	-	(108)
Net value	**236**	**(13)**	**(10)**	**-**	**212**
Right-of-use Means of transport					
Gross value	16,096	4,232	(3,460)	280	17,147
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(6,915)	(4,904)	3,338	(90)	(8,592)
Net value	**9,181**	**(672)**	**(122)**	**190**	**8,555**
Right-of-use Electronic machines					
Gross value	267	259	(234)	-	311
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(215)	(113)	234	-	(94)
Net value	**52**	**146**	**-**	**-**	**217**
Right-of-use Other assets					
Gross value	32	2	-	1	35
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(11)	(7)	-	(1)	(19)
Net value	**21**	**(4)**	**-**	**-**	**16**
Total right-of-use Property, plant and equipment					
Gross value	202,480	18,202	(9,511)	2,341	213,530
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(33,128)	(17,288)	4,869	(373)	(45,920)
Net value	**169,352**	**913**	**(4,643)**	**1,968**	**167,610**

The gross increases for the period of €18,202 mainly refer to properties used for commercial purposes (€12,553), industrial equipment (€1,097) and vehicles used by employees (€4,232).
The decreases for the period chiefly relate to properties for which the operating lease contract expired in the year and vehicles used by employees.
Rights of use for leased buildings include the former finance lease of the Nuvola Headquarters, already recognized in accordance with IAS 17.

The effects associated with lease contracts falling within IFRS on the statement of profit or loss are shown in the following table:

	YEAR 2021	YEAR 2020
Amortisation and depreciation	(17,662)	(16,872)
Interest	(3,840)	(3,710)
Lease costs for short-term and modest value contracts	(5,258)	(4,902)

The effects on cash flows shown in the statement of cash flows indicate a net use of cash to pay for rights of use totalling €18 million for the reporting year, compared to €17 million for the previous year.
It should be noted that the Group opted to apply the exemptions provided for in the Standard for lease contracts with a term equal or below 12 months and with no purchase options ("short-term leases") and for lease contracts whose underlying assets has a low value ("low value asset"). The Group also applied the practical expedient available for rent concessions granted by lessors that are directly related to the Covid-19 pandemic (about €0.3 million).

10.4 Property, plant and equipment

The breakdown and movements of property, plant and equipment are shown in the following table:

	BALANCE AT 31.12.2020	INCREASES	(DECREASES)	RECLASSIFICATIONS	EXCHANGE DELTA	BALANCE AT 31.12.2021
Land and buildings						
Gross value	213,461	670	(468)	(7,184)	3,778	210,257
(Write-down provision)	(11,476)	(1,647)	1,480	2,569	(33)	(9,106)
(Accumulated depreciation)	(75,629)	(4,660)	(112)	4,672	(1,054)	(76,784)
Net value	**126,355**	**(5,637)**	**900**	**58**	**2,691**	**124,367**
Plant and machinery						
Gross value	859,127	2,274	(6,104)	29,681	4,797	889,775
(Write-down provision)	(8,853)	(770)	3,691	(4,036)	(63)	(10,031)
(Accumulated depreciation)	(558,654)	(33,765)	2,011	5,193	(1,875)	(587,089)
Net value	**291,620**	**(32,261)**	**(401)**	**30,838**	**2,859**	**292,655**
Industrial and commercial equipment						
Gross value	55,110	719	(35)	440	3	56,237
(Write-down provision)	(3,377)	(134)	-	-	-	(3,511)
(Accumulated depreciation)	(43,511)	(2,870)	30	(31)	(3)	(46,385)
Net value	**8,221**	**(2,285)**	**(5)**	**409**	**-**	**6,341**
Espresso machines and other commercial equipment						
Gross value	353,368	51,535	(37,813)	1,098	7,616	375,804
(Write-down provision)	(3,442)	(535)	1,323	-	-	(2,654)
(Accumulated depreciation)	(237,824)	(50,718)	34,101	-	(5,473)	(259,913)
Net value	**112,103**	**281**	**(2,389)**	**1,098**	**2,144**	**113,236**
Furniture and fittings						
Gross value	41,797	3,169	(4,040)	2,875	624	44,424
(Write-down provision)	(120)	-	96	-	-	(24)
(Accumulated depreciation)	(29,436)	(2,807)	3,898	-	(394)	(28,741)
Net value	**12,241**	**362**	**(47)**	**2,875**	**230**	**15,660**
Means of transport						
Gross value	1,212	-	(45)	-	2	1,169
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(967)	(48)	44	-	(2)	(973)
Net value	**244**	**(48)**	**(1)**	**-**	**-**	**196**
Electronic machines						
Gross value	38,151	1,124	(928)	1,140	729	40,216
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(28,990)	(4,153)	891	6	(402)	(32,649)
Net value	**9,161**	**(3,029)**	**(37)**	**1,146**	**327**	**7,567**
Other assets						
Gross value	2,521	14	(90)	-	162	2,606
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(2,508)	(52)	91	10	(162)	(2,621)
Net value	**13**	**(38)**	**1**	**10**	**-**	**(14)**
Fixed assets in process and advances						
Gross value	26,574	55,680	(823)	(41,414)	717	40,735
(Write-down provision)	(530)	521	-	-	-	(9)
Net value	**26,044**	**56,201**	**(823)**	**(41,414)**	**717**	**40,726**
Total property, plant and equipment						
Gross value	1,591,320	115,186	(50,346)	(13,363)	18,428	1,661,224
(Write-down provision)	(27,798)	(2,565)	6,590	(1,467)	(96)	(25,336)
(Accumulated depreciation)	(977,519)	(99,075)	40,954	9,850	(9,365)	(1,035,155)
Net value	**586,002**	**13,546**	**(2,802)**	**(4,980)**	**8,967**	**600,734**

The change in property, plant and equipment was mainly due to the new industrial investments and purchases of machines intended for FOL (Free On Loan) use, net of depreciation for the year.
The reclassifications item refers mainly to the entry into operation of tangible and intangible fixed assets relating to projects completed in the current year and to the allocation to write-down of certain risk provisions set aside in previous years amounting to €4,036 thousand. A property located in Turin has also been reclassified as assets held for sale, which will be sold and adjusted to fair value for a value of €1,000 thousand.

10.5 Investments

Investments recognised in the consolidated financial statements at 31 December 2021 were as follows:

	% HELD	31.12.2021	31.12.2020	CHANGES
Investments:				
a) Subsidiaries measured at cost				
Lavazza Maroc S.a.r.l.	100	1	1	-
Lavazza Trading (Shenzhen) Co. Ltd	100	1,000	1,000	-
Total subsidiaries measured at cost		**1,001**	**1,001**	**-**
b) in joint ventures - associates measured at equity				
La Manufacture de Café Alain Ducasse S.a.s.	50	425	625	(200)
Y&L Cofee Ltd	35	30,271	4,894	25,377
Total in joint ventures - associates measured at equity		**30,696**	**5,519**	**25,177**
c) Associates measured at cost				
International Coffee Partners G.m.b.H.	20	25	25	-
Total associates measured at cost		**25**	**25**	
d) Other companies valued at FV				
Casa del Commercio e Turismo S.p.A.	3	6	6	-
Air Vallée S.p.A.	2	-	-	-
Idroelettrica S.c.r.l.	n.a.	-	-	-
Tamburi Investment Partners S.p.A.		4,965	3,445	1,520
Clubitaly S.p.A.		6,536	6,409	127
Connect Ventures One LP	3	1,884	1,335	549
Solar Investment Group B.V.	0.94	158	-	158
Immobilière 3 F (formerly Le Foyer du Fonctionnaire)	n.a.	-	-	-
Consorzio Nazionale Imballaggi	n.a.	-	-	-
Companies valued at FV through profit or loss		**13,549**	**11,195**	**2,354**
INV. A.G. S.r.l.	11	13,049	6,394	6,655
Companies valued at FV through OCI		**13,049**	**6,394**	**6,655**
Total other companies valued at FV		**26,598**	**17,589**	**9,009**
Total		**58,320**	**24,134**	**34,186**

In the reporting year, the subsidiary Y&L Coffee Ltd increased its share capital by €30.3 million. The interest in the Chinese company, incorporated to study and develop the Lavazza Coffee Shop concept in China, remained unchanged at 35%.
From its incorporation, 20 new stores were opened in Chine, including in Shanghai, Hangzhou, Beijing and Guangzhou. At the end of the year, the investment was adjusted to account for the value of the portion of equity attributable to the Group, recognising an operating loss of €5.5 million carried by the latter.

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COMPANY OFFICERS
GROUP STRUCTURE
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The investment in La Manufacture de Café, a 50%-owned French company acquired at the end of the previous year, was also adjusted to account for the value of the portion of equity attributable to the Group, recognising an operating loss of €0.2 million.
As reported in the tables here below, the movements in other countries refer essentially to adjustments to FV. It should be noted that 20,856 shares of Solar Investment Group were acquired through Lavazza Capital S.r.l., for a total value of €0.177 million.
The Group received no dividends distributed by the above-mentioned investees.

The breakdown of investments in other companies is reported below:

INV. A.G. S.R.L. (INVESTMENT MEASURED AT FV THROUGH OCI)

1 January 2020	**10,915**
Sales	-
Purchases	-
Total profit and losses recognised through OCI	(4,521)
31 December 2020	**6,394**
Sales	-
Purchases	-
Total profit and losses recognised through OCI	6,655
31 December 2021	**13,049**

OTHER INVESTMENTS VALUED AT FV THROUGH PROFIT OR LOSS

1 January 2020	**12,291**
Sales	(1,417)
Purchases	208
Total profit and losses recognised through Profit and Loss	113
31 December 2020	**11,195**
Sales	-
Purchases	337
Total profit and losses recognised through Profit and Loss	2,017
31 December 2021	**13,549**

Notes 10.21 and 10.22 provide further information in this regard.

10.6 Non-current and current financial assets

	31.12.2021	31.12.2020	CHANGES
Finance lease and other minor receivables	4,068	5,273	(1,205)
Financial trade receivables	11,786	18,762	(6,976)
Write-down provision for doubtful financial trade receivables	(4,330)	(3,262)	(1,068)
Total non-current financial receivables	**11,524**	**20,773**	**(9,249)**
Mutual funds and other non-current securities	1,630	2,067	(437)
Insurance policies	18,499	18,288	211
Derivatives and other hedging instruments	2,185	4,879	(2,694)
Non-current securities and non-current financial instruments	**22,314**	**25,234**	**(2,920)**
TOTAL NON-CURRENT FINANCIAL ASSETS	**33,838**	**46,007**	**(12,169)**

	31.12.2021	31.12.2020	CHANGES
Financial receivables from others	16,402	91,187	(74,785)
Financial trade receivables	28,585	31,514	(2,929)
Write-down provision for doubtful financial trade receivables	(4,645)	(4,779)	134
Financial receivables from companies controlled by Parent Companies	70,741	70,037	704
Total current financial receivables	**111,083**	**187,959**	**(76,876)**
Derivatives and other hedging financial instruments	16,499	27,745	(11,246)
Equity securities	21,351	7,730	13,621
Bonds	227,962	168,709	59,253
Certificates of deposit	-	-	-
Mutual investment funds	1,104	552	552
Other current securities	19	17	2
Total current securities and current financial instruments	**266,935**	**204,753**	**62,182**
TOTAL CURRENT FINANCIAL ASSETS	**378,018**	**392,712**	**(14,694)**

Financial receivables

Finance lease receivables refer to the sale through finance lease contracts of some special models of coffee machines for customers within the OCS sector. As a finance lease transaction, in addition to recognition of the receivable, it entails the booking of interest income among finance income and expense. During the year, the receivable was written down by €1 million to bring it into line with its presumable realisable value.
Financial trade receivables refer to loans granted by the subsidiary Cofincaf S.p.A. to customers and are tested to verify the recoverability of their value pursuant to IFRS 9. On the basis of the analyses carried out, the value of financial trade receivables was adjusted to bring it into line with the presumable realisable value, as reported below:

	PROVISION FOR THE WRITE-DOWN OF FINANCIAL TRADE RECEIVABLES
Balance at 31.12.2020	**(8,041)**
Provisions	(1,025)
Uses	92
Reclassifications	-
Exchange rate delta	-
Balance at 31.12.2021	**(8,975)**

The increase in the provision for write-downs was attributable to higher amounts allocated to bring it in line with the risk profile.

The following table provides a breakdown of the provision by maturity:

	2021		2020	
	FINANCIAL RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES	FINANCIAL RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES
Not yet due	38,603	(8,216)	48,794	(7,785)
Less than 30 days	1	-	2	-
30-90 days	9	(1)	8	-
Within one year	678	(68)	304	(28)
Within five year	672	(430)	1,168	(228)
Over five years	407	(260)	-	-
Breakdown of receivables by maturity	**40,371**	**(8,975)**	**50,276**	**(8,041)**
Write-down	(8,975)	-	(8,041)	-
Total	**31,396**	**-**	**42,235**	**-**

Current financial receivables from others amounted to €16 million, decreasing by about €75 million, mainly due to the closure of the short-term secured deposit denominated in USD held by Lavazza Capital S.r.l.

Financial receivables from companies controlled by parent companies referred to the loan granted in 2019 by the subsidiary Lavazza Capital S.r.l., renewed annually, for a total amount of €70 million to the company Torino 1895 Investimenti S.p.A., a 100% owned subsidiary of Finlav S.p.A.
Non-current financial receivables are all due in one to five years.

Financial securities and hedging financial instruments

Securities classified as non-current financial assets refer primarily to closed-ended mutual funds held by the subsidiary Lavazza Capital S.r.l. and insurance policies contracted by the subsidiary Nims S.p.A.
Securities classified as current financial assets refer to ordinary bonds and equities listed on regulated markets and held by the subsidiary Lavazza Capital S.r.l.
Derivatives and other hedging instruments refer to the open positions in hedging derivatives at 31 December 2021 at their fair value.
Notes 10.21 and 10.22 provide further information on financial assets.

10.7 Deferred tax assets and liabilities

Deferred tax assets and liabilities amounted to €74,033 thousand and €81,431 thousand, respectively, at 31 December 2021. Note 11.10 on income taxes provides further details.

10.8 Other non-current and current assets

	31.12.2021	31.12.2020	CHANGES
Guarantee deposits	3,040	3,099	(59)
Other non-current receivables	1,016	1,199	(183)
TOTAL OTHER NON-CURRENT ASSETS	**4,056**	**4,298**	**120**
Tax receivables	28,416	48,654	(20,238)
Advances to suppliers	3,935	5,447	(1,512)
Prepayments and accrued income	37,541	32,656	4,885
Other receivables	2,002	1,540	462
TOTAL OTHER CURRENT ASSETS	**71,894**	**88,297**	**(16,403)**

Amounts receivable from the treasury of €28.4 million primarily refer to VAT receivables claimed by Group companies and the amount claimed by the Parent Company (€8 million) in connection with subsidies for investments in capital assets pursuant to Article 18 of Decree-Law 91 of 24 June 2014 ("Competitiveness Decree-Law"), converted, with amendments, by Law No. 116 of 7 August 2014, and the research and development tax credit introduced by the 2015 Stability Law (Law No. 190-2014).

The item "prepayments and accrued income" primarily refers to accrued income relating to commissions to agents of the subsidiary Nims S.p.A. (about €24 million) and the portion not accrued during the year of advance payments made to customers in the Food Service sector for the sponsorship of Lavazza products in the points of sale. Such costs will be recognised through profit or loss on an accrual basis over the term of the contract.

10.9 Inventories

	31.12.2021	31.12.2020	CHANGES
Raw materials, ancillaries and consumables (net value)	242,995	207,306	35,689
Write-down provision for raw material, ancillaries and consumables	(4,448)	(3,281)	(1,167)
Raw materials, ancillaries and consumables (net value)	**238,547**	**204,025**	**34,522**
Work in process (net value)	**3,457**	**2,349**	**1,108**
Provision for work in progress	(1,000)	(1,200)	200
Work in process (net value)	**2,457**	**1,149**	**1,308**
Finished products and goods	226,924	224,288	2,636
Write-down provision for finished products and goods	(22,883)	(25,670)	2,787
Finished products and goods (net value)	**204,041**	**198,618**	**5,423**
Advances	**876**	**921**	**(45)**
TOTAL	**445,921**	**404,713**	**41,208**

Compared to the previous year, the inventory of raw materials increased primarily due to the green coffee component. With reference to the Parent Company, this is mainly attributable to the increase in market prices recorded during the 2021 financial year.
The increase in the net value of finished product inventories is mainly attributable to the increase in inventories of capsules, packaged coffee and other food products (€11 million), offset by the reduction in the coffee machine inventory (€6 million).
At 31 December 2021, inventories were shown net of the write-down provision amounting to €28.3 million set aside for obsolete and slow-moving materials, with particular reference to coffee machines and related spare parts, advertising material, factory spare parts and packaging.

10.10 Trade receivables

The following table provides a breakdown of the Group's trade receivables at 31 December 2021 and at 31 December 2020:

	31.12.2021	31.12.2020	CHANGES
Trade receivables <12 months	276,387	259,313	17,074
Provision for write-down of receivables	(16,840)	(16,198)	(642)
Total trade receivables	**259,547**	**243,115**	**16,432**

Trade receivables are recognised net of deferred premiums and discounts to be settled. The increase in the year is in line with the rise in Group's turnover.

The following table provides the breakdown of receivables by maturity and the related write-down provision for the years 2021 and 2020:

	2021		2020	
	TRADE RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES	TRADE RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES
Not yet due	232,281	(6,265)	224,131	(4,922)
Less than 30 days	21,558	(1,041)	18,461	(779)
30-90 days	12,729	(1,779)	5,907	(1,667)
Within one year	4,473	(2,422)	6,787	(4,863)
Within five year	4,506	(4,492)	4,025	(3,967)
Over five years	841	(841)	-	-
Breakdown of receivables by maturity	**276,387**	**(16,840)**	**259,312**	**(16,198)**
Write-down	(16,840)		(16,198)	
Total	**259,547**		**243,115**	

Trade receivables do not bear interest, have an average maturity of 30 to 90 days and are tested for recoverability of their value pursuant to IFRS 9. On the basis of the analyses carried out, the value of financial trade receivables was adjusted to bring it into line with the presumable realisable value, as reported below.

Movements in the relevant provisions are reported in the following table:

	PROVISION FOR WRITE-DOWN OF RECEIVABLES, CURRENT
31.12.2020	**(16,198)**
Provision for the year	(6,156)
Uses	5,755
Release to income	-
Adjustment for amounts in foreign currency	(241)
Change in consolidation area and other changes	-
31.12.2021	**(16,840)**

The provision for write-down of receivables, defined as per IFRS 9, include a provision of €6.1 million and uses amounting to €5.7 million.

10.11 Current tax receivables

Current tax receivables include other tax receivables amounting to €3 million and tax receivables from parent companies amounting to €1.9 million.
Receivables from parent companies refer to receivables claimed from the parent company, Finlav S.p.A. for IRES (corporate income tax) purposes by some Group companies participating in the national tax consolidation programme. Other tax receivables refer to credits for income taxes claimed by other Group companies not participating in the Group's national tax consolidation programme.

10.12 Cash and cash equivalents

Cash and cash equivalents at 31 December 2021 and 31 December 2020:

	31.12.2021	31.12.2020
Bank and post office deposits	633,809	338,855
Bank deposits in foreign currencies	71,957	32,020
Cash and valuables on hand	796	949
TOTAL CASH AND CASH EQUIVALENTS	**706,562**	**371,824**

Cash and cash equivalents consist of cash at bank and post-office accounts, as well as cash in hand and cheques held by logistic hubs, outside contractors and sales areas.
Foreign currency accounts were approximately €72 million, chiefly in dollars, and were mainly attributable to the Parent Company and regarded market purchases and collections of receivables from foreign customers located in countries outside the Eurozone. These accounts are generally used to cover payments for the supply of green coffee and for promotional activities in foreign markets.

10.13 Share capital and reserves

Share capital

At 31 December 2021 fully subscribed and paid-up share capital consisted of 25,000,000 ordinary shares, with a nominal value of €1 each.

Treasury shares

Treasury shares in portfolio amounted to 2,499,998 ordinary shares, with a nominal value of €1 each, accounting for approximately 10% of share capital. No other Lavazza Group company owns Luigi Lavazza S.p.A. shares.

Other capital reserves

This item mainly includes the other reserves recognised in the financial statements of the Parent Company, which at 31 December 2021 were broken down as follows:

	31.12.2021	31.12.2020	CHANGES
Re. Law 576/75 *	28	28	-
Re. Law 72/83 **	268	268	-
Re. Law 408/90	25,096	25,096	-
Re. Law 413/91	5,681	5,681	-
Re. Law 342/2000 ***	103,048	103,048	-
Re. Law 448/2001	5,100	5,100	-
Re. Law 350/2003 ****	93,900	93,900	-
Re. Law 266/2005	70,400	70,400	-
Re. Law 185/2008	58,200	58,200	-
Total revaluation reserves	**361,721**	**361,721**	**-**
Legal reserve	5,000	5,000	-
Extraordinary reserve	211,519	203,611	7,908
Merger surplus reserve	56,953	56,953	-
Reserve Re. Law 46/1982	91	91	-
Reserves Re. Law 488/1992	381	381	-
Other reserves	478	478	-
Reserve arising on exchange gains	-	7,908	(7,908)
Other reserves	274,422	274,422	-
TOTAL	**636,143**	**636,143**	**-**

* *Due to the merger of Luca S.r.l.*
** *Due to the merger of Manifattura Rosy S.r.l. (€198,836) and Luca S.r.l. (€68,682).*
*** *Due to the merger of Mokapak S.r.l. (€5,111,146).*
**** *Due to the merger of Mokadec S.r.l. (€2,729,700) and Mokapak S.r.l. (€8,813,610).*

No allocations were made to revaluation reserves and other reserves pending taxes, since to date they are not expected to be paid out.

Other comprehensive income components attributable to the Parent Company's shareholders, net of taxes

The changes in other components of comprehensive income at 31 December 2020 and 31 December 2021 were as follows:

CHANGES AT 31 DECEMBER 2020	CASH FLOW HEDGE RESERVE	RESERVE OF FVOCI FINANCIAL ASSETS	RESERVE FOR TRANSLATION DIFFERENCES	RESERVE FOR ADJUSTMENTS TO EMPLOYEE BENEFITS	TOTAL
Gains (losses) from the translation of financial statements denominated in currencies other than the Euro	-	-	(49,444)	-	(49,444)
Derivatives to hedge exchange-rate risk	(8,983)	-	-	-	(8,983)
Derivatives to hedge commodity risk	(2,086)	-	-	-	(2,086)
Interest rate swaps	20	-	-	-	20
Loss on AFS financial instruments	-	(3,774)	-	-	(3,774)
Actuarial changes on pension plans	-	-	-	(2,316)	(2,316)
Total	**(11,049)**	**(3,774)**	**(49,444)**	**(2,316)**	**(66,583)**

CHANGES AT 31 DECEMBER 2021	CASH FLOW HEDGE RESERVE	RESERVE OF FVOCI FINANCIAL ASSETS	RESERVE FOR TRANSLATION DIFFERENCES	RESERVE FOR ADJUSTMENTS TO EMPLOYEE BENEFITS	TOTAL
Gains (losses) from the translation of financial statements denominated in currencies other than the Euro	-	-	52,304	-	52,304
Derivatives to hedge exchange-rate risk	21,264	-	-	-	21,264
Derivatives to hedge commodity risk	21,618	-	-	-	21,618
Interest rate swaps	4,183	-	-	-	4,183
Loss on AFS financial instruments	-	6,655	-	-	6,655
Actuarial changes on pension plans	-	-	-	4,049	4,049
Total	**47,065**	**6,655**	**52,304**	**4,049**	**110,073**

The positive component of the cash flow hedge reserve of €47 million was mainly attributable to the revaluation of the foreign exchange derivatives portfolio (resulting from the significant revaluation of the US Dollar against the Euro) and the effect of the strategies to hedge the green coffee price risk that were implemented financially during 2021 (with a positive result dictated by the growing trend in market prices) and the economic effects of which, as a result of the application of hedge accounting, are deferred in the 2022 financial year (in conjunction with the accounting recognition of the supplies hedged).

DISTRIBUTIONS MADE AND PROPOSED

During the year, the Parent Company distributed ordinary dividends in the amount of €33,075 thousand.
Proposed dividends on ordinary shares are subject to approval by the annual Shareholders' Meeting.

10.14 Financial liabilities, non-current and current

	31.12.2021	31.12.2020	CHANGES
Bank loans	453,817	309,308	144,509
Lease liabilities	-	-	-
Payables for options on the purchase of investments	33,335	30,633	2,702
Derivatives and other hedging instruments	2,498	5,689	(3,191)
Withholdings as guarantees for purchases of investments	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**489,650**	**345,630**	**144,020**

	31.12.2021	31.12.2020	CHANGES
Other short-term bank payables	9,156	14,799	(5,643)
Bank loans (current portion)	190,172	180,131	10,041
Payables to other lenders	113	619	(506)
Derivatives and other hedging instruments	1,588	14,619	(13,031)
Other liabilities	3	6,062	(6,059)
TOTAL CURRENT FINANCIAL LIABILITIES	**201,032**	**216,230**	**(15,198)**

Bank loans (current and non-current portion) referred to:

- the corporate loan contracted in 2016 for a term of five years (maturing in 2021), for an initial amount of €400 million, from a pool of four banks (club deal), bearing interest at a variable rate (six-month Euribor), subsequently converted to a fixed rate by an interest rate swap transaction. During the year, the last accrued principal was duly repaid in the amount of €65 million;
- the corporate loan contracted in 2018 for a term of five years, for an amount of €400 million, from a pool of three banks (club deal), bearing interest at a variable rate (six-month Euribor). In the reporting year, accrued principal was duly repaid for a total of €91 million; therefore, the outstanding residual debt at 31 December 2021 totalled €309 million; also this loan was then converted to fixed rate through an interest rate swap;
- a corporate loan of €300 million relating to a corporate financing contract belonging to the sustainability-linked loan category, taken out with a banking pool composed of 4 leading banking institutions in July 2021 that the Company decided to fix through an interest rate swap contract. The start of the capital repayment period has been set in 2024, while the loan is scheduled to expire in the 2026 financial year. The financing operation has been correlated with sustainability targets, which are observed and measured annually and which allow reductions in interest pricing;
- a hot money loan taken out by the Parent Company amounting to €20 million, partially repaid in 2022;
- a short-term loan taken out by the subsidiary Cofincaf S.p.A. in the amount of €15 million.

The outstanding loans are not subject to any covenants.
Payables for call options on investments relate to the amount payable in connection with the call option on the residual non-controlling interest in Kicking Horse Coffee that in the year was adjusted to the related fair value, recognising a €2.7 million increase in debt compared to the previous year.

Financial liabilities due beyond one year are broken down as follows:

	NON-CURRENT FINANCIAL LIABILITIES	MATURITY 2023	MATURITY 2024	MATURITY 2025	MATURITY 2026	BEYOND
Bank loans	454	155	60	120	119	-
Payables for options on the purchase of investments	33	33	-	-	-	-
Payables for withholding on guarantees on the purchase of investments	-	-	-	-	-	-
Debts to other lenders	-	-	-	-	-	-
Other non-current financial liabilities	-	-	-	-	-	-
Total	**487**	**188**	**60**	**120**	**119**	**-**

Notes 10.21 and 10.22 provide further information on financial liabilities.

10.15 Right-of-use liabilities, non-current and current

Non-current right-of-use liabilities amounted to €125.4 million, whereas current right-of-use were €17.5 million, of which €4.5 million referring to the lease agreement for the Nuvola Headquarters.

Right-of-use liabilities due after one year were broken down as follows:

	NON-CURRENT LIABILITIES	MATURITY 2023	MATURITY 2024	MATURITY 2025	MATURITY 2026	BEYOND
Lease liabilities for the Nuvola HQ	67	5	5	5	5	48
Other right-of-use liabilities	58	11	8	6	5	28
Other	-	-	-	-	-	-
Total	**125**	**15**	**13**	**11**	**10**	**76**

10.16 Provisions for employee benefits

	SEVERANCE INDEMNITIES	PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	TOTAL PROVISIONS FOR EMPLOYEE BENEFITS
Balance at 31.12.2020	25,562	64,191	89,753
Increases	5,668	1,491	7,159
Uses	(4,752)	(5,043)	(9,795)
Other	(1,183)	-	(1,183)
Exchange rate delta	8	-	8
Changes in consolidation area	-	-	-
Balance at 31.12.2021	**25,303**	**60,639**	**85,942**

Severance indemnities include employee termination indemnities for the Group's employees, pursuant to Article 2120 of the Italian Civil Code, which fall within the scope of application of IAS 19, and other similar employee provisions of international subsidiaries.
Employee termination indemnities accrued up to 31 December 2006 remained with the Company; employee termination indemnities accrued from 1 January 2007, at the employee's discretion, have been allocated to supplementary pension schemes or kept with the Company, which has transferred the indemnities to the Treasury Fund established by the INPS. Accordingly, the employee termination indemnities accrued since 1 January 2007 are classified as defined benefit plans. Since the Group fulfils its obligation by paying contributions to a separate entity (a fund), without additional obligations, the entity recognises the contributions to the fund on an accrual basis, corresponding to the employment services rendered by the employees, without performing any actuarial calculations. Since on the reporting date the Group had already paid the contributions in question, no liabilities have been recognised. On the other hand, employee termination indemnities accrued up to 31 December 2006 continue to be classified as defined-benefit plans, maintaining the actuarial measurement criteria, in order to express the present value of the benefit due upon severance, accrued to the employees at 31 December 2006.
Provisions for pensions and similar obligations primarily refer to Lavazza Professional Germany G.m.b.H.

The following tables present a summary of the net cost components of the benefits taken to the statement of profit or loss and the statement of comprehensive income in 2021 in connection with employee termination indemnities and similar items.

Liabilities (assets) at 1 January 2021	**25,562**
Amounts included in the statement of profit or loss:	
Current service costs	796
Net interest	(24)
Other services	2,835
Total	**3,607**
Amounts included in the statement of comprehensive income:	
Profit (losses) from changes in actuarial assumption	(643)
Total	**(643)**
Other movements:	
Benefits paid	(1,405)
Benefits transferred	-
Curtailment	(631)
Exchange-rate delta and change in consolidation scope	(1,187)
Total	**(3,223)**
Liabilities (assets) at 31 December 2021	**25,303**

Other benefits include the adjustment of the employee benefit provision based on the new parameters of the French subsidiary Carte Noire SA. Other changes include the effect of the application for French companies of the recommendation issued in May 2021 concerning IAS 19 whereby the pensions benefit is calculated using only the number of consecutive years of service with the company immediately before retirement age. The impact of this regulatory change on the 2021 financial year was recognised in retained earnings.

The main assumptions adopted in determining the obligations arising from the employee termination indemnities of the Italian companies are set out below.

EMPLOYEE TERMINATION INDEMNITIES ASSUMPTIONS	2021
Discount rate	AA euro composite curve at 31 December 2021
Personnel turnover rate	1.3 % - 4%
Expected inflation rate	1.50%

The following is a summary of the quantitative sensitivity analysis for the significant assumptions adopted at 31 December 2021.

CHANGE	INVESTIGATED	IMPACT OF INCREASE	IMPACT OF DECREASE
Discount rate	25,303	23,914	23,432
Personnel turnover rate	25,303	25,096	25,608
Expected inflation rate	25,303	25,678	24,935

The sensitivity analyses set out above were conducted on the basis of a method for extrapolating the impact on the obligation of reasonable changes in the key assumptions in place on the reporting date.

EXPECTED FUTURE PAYMENTS	2021
Within 12 months	1,756
From 1 to 4 years	4,531
Beyond 4 years	38,859
Total	**45,146**

The expected cash flows for future payments under the plan are not sufficient to have a significant impact on the Group's financial position and cash flow situation.

The main assumptions adopted in determining the obligations arising from pension funds and similar obligations were essentially due to Lavazza Professional Germany G.m.b.H.:

ASSUMPTIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	2021
Interest rate	1.31%
Salary growth rate	2.00%
Expected inflation rate	4.00%
Expected mortality rate	RT 2018G

ASSUMPTIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	CHANGE INVESTIGATED	IMPACT OF INCREASE	IMPACT OF DECREASE
Interest rate	55,619	50,776	55,619
Salary growth rate	55,619	56,120	55,619
Expected inflation rate	55,619	59,293	55,619
Expected mortality rate	55,619	57,270	55,619

10.17 Provisions — non-current and current

The following table provides information on the movements of provisions at 31 December 2021:

	31.12.2020	PROVISIONS	USES	RECLASSIFICATION	EXCHANGE RATE DELTA	CHANGE IN CONSOLIDATION AREA	31.12.2021
Provision for litigations	14,636	5,528	(3,070)	-	3	-	17,097
Provision for agents' customer compensation	3,226	487	(768)	-	-	-	2,945
Provision for product warranty	6,059	2,851	(68)	-	21	-	8,863
Other provisions - liabilities	70,390	45,397	(13,654)	(4,159)	69	-	98,043
Provisions for future risks and charges (non current)	**94,311**	**54,263**	**(17,560)**	**(4,159)**	**93**	**-**	**126,948**
Provisions for bonuses and employee benefits to be paid	18,822	20,229	(14,061)	1,212	236	-	26,438
Other provisions	9,200	4,433	(6,582)	-	72	-	7,123
Provisions (current)	**28,022**	**24,662**	**(20,643)**	**1,212**	**308**	**-**	**33,561**

The provision for litigation also refers to labour law disputes and was recognised to account also for risks relating to labour legal or contractual obligations associated with situations that already existed at the reporting date, but that were characterised by a state of uncertainty and the outcome of which depends on the occurrence of one or more future events. During the year, the provision was increased to cover potential litigation risks with customers and distributors; the utilisation refers instead to the settlement of legal and settlement expenses incurred in the year but related to disputes arising in previous years.
The provision for supplementary agents' customer compensation, created for agents in the event of retirement or interruption of contract due to principal, was also adjusted.
Movement in the provision for product warranty of approximately €2.8 million allocated by the Parent Company refers mainly to coffee machine warranties and returns.

Other provisions for non-current future risks and charges of €98 million include:

- provisions for risks and charges relating to the Parent Company totalling €30.6 million, including provisions for industrial production conversion projects to obtain sustainable packaging amounting to €20.5 million. The Group is committed to ensuring high product quality standards, in compliance with the essential requirements of environmental directives and new technologies, adopting processes and raw materials with a low environmental impact to reduce waste production. During the year, the provisions were used for the scrapping of production lines of plastic capsules replaced by the new aluminium pods with zero environmental impact. The provisions relating to the Parent Company also include provisions to cover the recoverability risks for investments made in the café and restaurant channel and other commercial risks amounting to a further €10.1 million.
  The aforementioned sales channels, affected in the previous year by the restrictive measures to combat the Covid-19 pandemic, during the year showed a recovery, albeit slow and gradual, necessitating a partial release of the provisions;
- provisions for risks and charges of €55 million relating to personnel, allocated by the Parent Company for medium-term bonuses and incentives for employees;
- provisions allocated for risks relating to tax litigation amounting to €4 million (of which €1 million for Parent Company VAT disputes);
- provisions for charges relating to industrial reorganisations of other group companies amounting to approximately €8 million.

Provisions for current risks and charges mainly include staff bonuses and benefits payable in the following year as well as charges arising from reorganisation and rationalisation of the Parent Company's production system.
Reclassifications of the non-current portion refer mainly to the allocation to write-down of tangible fixed assets and to the write-down of inventory for provisions made in previous years.
Reclassifications of the current portion refer to a more correct representation of liabilities with regard to employees classified as payables to personnel in the previous year.

10.18 Current tax payables

Current tax payables amounted to €14.5 million and include tax payables to parent companies of €10.1 million and other tax payables amounting to €4.4 million.
Payables to the parent companies refer to the receivables claimed from the parent company, Finlav S.p.A., for IRES (corporate income tax) purposes by Group companies participating in the national tax consolidation programme.

10.19 Trade payables

The item amounted to €413 million and primarily referred to payables for the supply of raw materials and services due within one year.

10.20 Other non-current and current liabilities

	31.12.2021	31.12.2020	CHANGES
OTHER NON-CURRENT LIABILITIES	**1,310**	**2,034**	**(724)**
VAT payables	3,582	24,525	(20,943)
Withholdings to be paid as withholding agents	4,645	4,613	32
Other miscellaneous tax payables <12	5,438	5,044	394
Total other current tax payables	**13,665**	**34,182**	**(20,517)**
Advances	26,981	25,635	1,346
Payables to social security institutions <12	12,233	12,408	(175)
Payables to personnel	28,773	26,835	1,938
Payables to shareholders and bondholders	512	589	(77)
Other payables to third parties	854	2,007	(1,153)
Total other current payables	**69,353**	**67,474**	**1,879**
14th month salary and holiday leave	3,590	3,738	(148)
Other operating accrued expenses	39	(3)	42
Total accruals	**3,629**	**3,735**	**(106)**
Deferred lease liabilities	294	341	(47)
Other deferred income	6,523	5,157	1,366
Total deferred income	**6,817**	**5,498**	**1,319**
OTHER CURRENT LIABILITIES	**93,464**	**110,889**	**(17,425)**

Advances refer primarily to security deposits and advance payments received from the subsidiary Nims S.p.A. upon the signing of the supply/sale contract by the end client.

10.21 Financial instruments – additional information

The carrying amounts of the individual categories of financial assets and liabilities held by the Group at 31 December 2021 and 31 December 2020, revised according to the classification rules set out in IFRS 7 – Financial Instruments: Disclosures, are presented below.

	MEASUREMENT AT AMORTISED COST		MEASUREMENT AT FV THROUGH PROFIT OR LOSS		MEASUREMENT AT FV THROUGH OCI	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Operating assets						
Cash and cash equivalents	706,562	371,824	-	-	-	-
Trade receivables	259,547	243,115	-	-	-	-
Other current assets (excluding tax receivables)	43,478	39,643	-	-	-	-
Other non-current assets (excluding tax receivables)	4,056	4,298	-	-	-	-
Non-current financial assets						
Financial receivables	11,524	20,773	-	-	-	-
Mutual funds	-	-	1,630	2,067	-	-
Insurance policies	-	-	18,499	18,288	-	-
Derivatives and other hedging instruments	-	-	-	-	2,185	4,879
Current financial assets						
Financial receivables	111,083	187,959	-	-	-	-
Derivatives and other hedging financial instruments	-	-	-	-	16,499	27,745
Equity securities	-	-	21,351	7,730	-	-
Bonds	-	-	227,962	168,709	-	-
Mutual investment funds	-	-	1104	552	-	-
Other current securities	-	-	19	17	-	-
Investments in other companies	-	-	13,549	11,195	13,049	6,394
Operating liabilities						
Trade payables	412,932	329,279	-	-	-	-
Other current liabilities (excluding tax liabilities)	79,799	76,707	-	-	-	-
Other non-current liabilities (excluding tax liabilities)	1,310	2,034	-	-	-	-
Non-current financial liabilities						
Bank loans	453,817	309,308	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Right-of-use liabilities, non current	125,478	127,841	-	-	-	-
Payables for options on the purchase of investments	-	-	33,335	30,633	-	-
Derivatives and other hedging instruments	-	-	-	-	2,498	5,689
Current financial liabilities						
Other short-term bank payables	9,156	14,799	-	-	-	-
Bank loans (current portion)	190,172	180,131	-	-	-	-
Right-of-use liabilities, current	17,486	17,057	-	-	-	-
Payables to other lenders	113	619	-	-	-	-
Derivatives and other hedging instruments	-	-	-	-	1,588	14,619
Other liabilities	3	6,062	-	-	-	-

Detailed information on derivatives is provided here below.

Financial derivatives

The Group is exposed to fluctuations in foreign exchange rates, in particular in respect of the purchase of green coffee denominated in USD and sales in countries with currencies other than the Euro. In order to reduce the impact of changes in exchange rates on expected cash flows, in accordance with its risk management policy the Group uses derivative instruments solely for hedging purposes.

FINANCIAL DERIVATIVE ASSETS

NON-CURRENT DERIVATIVE ASSETS

The item includes the positive fair value of outstanding derivatives at 31 December 2021 with a duration in excess of 12 months, contracted in order to hedge against foreign exchange and commodities risk.

The following table summarises the related amounts (€ thousand):

	2021		2020	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Commodities - Purchase of green coffee	-	-	23	23
Exchange rates - Sales	2,302	22	65,751	4,856
Exchange rates - Loans	300,000	2,163	-	-
Total	**302,302**	**2,185**	**65,774**	**4,879**

CURRENT DERIVATIVE ASSETS

The item includes the positive fair value of outstanding derivatives at 31 December 2021 with a duration of less than 12 months, contracted in order to hedge against foreign exchange and commodities risks.

The following table summarises the related amounts for the reporting year (€ thousand):

	2021		2020	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Commodities - Purchase of green coffee	2,516	188	91,555	14,391
Exchange rates - Sales - Purchase of green coffee	329,750	16,311	133,650	906
Exchange rates - Other financial assets	-	-	115,076	12,448
Total	**332,266**	**16,499**	**340,281**	**27,745**

With regard to the exchange rate hedging of other financial assets, it should be noted that during the year the forward contracts for the purchase of USD by Lavazza Capital S.r.l. were terminated, at the same time as the closure of the related underlying currency tied deposits

FINANCIAL DERIVATIVE LIABILITIES

The item includes the negative fair values of the derivative instruments outstanding as at 31 December 2021.
The Group is exposed to fluctuations in foreign exchange rates in particular with regard to the purchase of green coffee denominated in USD and sales in countries with currencies other than the Euro. In order to reduce the impact of changes in foreign exchange rates on expected cash flows, in accordance with its risk management policy the Group has recourse to derivative instruments for hedging purposes.
The price of green coffee is subject to considerable volatility caused by both variables relating to physical supply and demand mechanisms (harvest, stocks, consumption and logistical limitations) and speculative activity on the exchanges.
In order to limit the impact of fluctuations in coffee prices, the Group adopts procurement policies that aim to reduce price changes, while also undertaking hedging transactions through financial derivatives, as established by its risk management policy.
The Group also had recourse to financial derivatives (interest rate swaps) to transform the rate on the corporate loan, commented upon in the section regarding amounts due to banks, from variable to fixed to hedge against the risk of fluctuation in the relevant interest rates.

The following tables summarise the related amounts (€ thousand):

NON-CURRENT DERIVATIVE LIABILITIES

	2021		2020	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Exchange rates - Sales	72,380	221	25,444	194
Exchange rates - Loans	17,851	6	-	-
Interest rates - Loans	310,000	2,271	465,000	5,495
Total	**400,231**	**2,498**	**490,444**	**5,689**

CURRENT DERIVATIVE LIABILITIES

	2021		2020	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Commodities - Purchase of green coffee	37,695	714	9,495	86
Exchange rates - Sales - Purchase of green coffee	91,114	874	385,997	14,533
Total	**128,810**	**1,588**	**395,492**	**14,619**

10.22 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for the current and previous years.

	2021			2020		
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments in other companies	13,049	13,549	-	6,394	11,195	-
Mutual funds	2,734	-	-	2,619	-	-
Insurance policies	-	18,499	-	-	18,288	-
Equity securities	21,351	-	-	7,730	-	-
Bonds	227,962	-	-	168,709	-	-
Other current securities	-	19	-	-	17	-
Derivative assets	-	18,684	-	6,006	26,618	-
Payables for options on the purchase of investments	-	-	33,335	-	-	30,633
Derivative liabilities	-	4,086	-	-	20,308	-

There were no transfers between Level 1 and Level 2 during the year.

10.23 Government grants

The amounts taken to the statement of profit or loss during the year on an accrual basis are presented below, broken down into grants towards operating expenses and capital grants.
Capital grants were received in previous years and the accrued portions were recognised during the year.
In the previous year, capital grants included grants for Covid-19-related expense.

OPERATIONAL GRANTS

	AMOUNT RECEIVED
R&D Bonus	1,095
Grants for investments in photovoltaic or for other energy production systems	285
Government grants to internationalization or export	15
Grants for training programme	86
Other	15
Total	**1,500**

CAPITAL GRANTS

	AMOUNT RECEIVED
Government grants for innovation and the acquisition of new equipment	418
Benefits on expenditures in specific geographical areas	233
R&D Bonus	270
Other	220
Total	**1,142**

10.24 Contractual assets and liabilities

With reference to contractual assets and liabilities, it should be noted that they almost entirely refer to trade receivables, with the exception of contractual liabilities arising on advances from customers totalling €26 million, mainly received by the subsidiary Nims S.p.A.

11. Consolidated Statement of Profit or Loss

Effects of Covid-19

The data and results presented in these Notes to the Financial Statements have been significantly influenced by the effects of the pandemic event that continued through 2021.

11.1 Revenue from contracts with customers

This item is broken down as follows:

	YEAR 2021	YEAR 2020	CHANGE
Net revenues from the sale of goods	2,257,635	2,037,820	219,815
Net revenues from the sale of services	50,758	47,438	3,320
TOTAL	**2,308,393**	**2,085,258**	**223,135**

The following table provides a breakdown of sales by geographical area:

GEOGRAPHIC AREA	YEAR 2021	RATIO %	YEAR 2020	RATIO %	CHANGE	% CHANGE
Italy	671,167	29.1%	630,195	30.2%	40,972	6.5%
Other EU countries	1,190,274	51.6%	1,046,096	50.2%	144,178	13.8%
Non-EU countries	446,952	19.4%	408,967	19.6%	37,986	9.3%
Total	**2,308,393**	**100.0%**	**2,085,258**	**100.0%**	**223,136**	**10.7%**

Net revenue from the sale of goods mainly refer to the sale of packaged coffee and capsules and is given net of discounts and grants for promotional activities granted to customers and referring to activities not related to products or services that can be separated from the main sale transaction.

Net revenue from the sale of services, transferred over a specific time period, refer to:

REVENUE RECOGNITION TIMING	YEAR 2021	YEAR 2020	CHANGE
Lease of coffee machines provided on free loan for use	41,477	38,360	3,117
Other services	3,662	4,107	(445)
Other rentals	5,619	4,971	648
TOTAL	**50,758**	**47,438**	**3,320**

11.2 Cost of sales

This item includes the following costs:

	YEAR 2021	YEAR 2020	CHANGE
Material and production costs	(1,233,276)	(1,132,495)	(100,781)
Logistic and distribution costs	(106,314)	(88,198)	(18,116)
Fees and commissions on sales	(46,175)	(44,188)	(1,987)
TOTAL	**(1,385,765)**	**(1,264,881)**	**(120,884)**

The rise compared to the previous year was primarily due to the increase in sales. The impact in respect of turnover remains constant (60%), despite the increase in market prices of raw materials recorded during the year but not yet reflected in the statement of profit and loss. In fact, the cost of sales includes the positive effects of previous year prices.

The following table provides a breakdown of costs by nature:

	YEAR 2021	YEAR 2020	CHANGE
Purchase of raw materials and third-party products	(990,232)	(919,583)	(70,649)
Change in inventories	55,301	37,927	17,374
Costs for services	(278,489)	(236,021)	(42,468)
Costs for use of third-party assets	(2,526)	(2,056)	(470)
Personnel costs	(55,608)	(54,637)	(971)
Amortisation, depreciation and write-downs	(91,219)	(87,413)	(3,806)
Provisions for risks	(22,992)	(3,098)	(19,894)
TOTAL	**(1,385,765)**	**(1,264,881)**	**(120,884)**

Provisions for the year of €22.9 million include €15 million attributable to the Parent Company, of which €12.1 million to support industrial production conversion projects for the production of sustainable packaging. In fact, the Company is committed to ensuring high product quality standards, in compliance with the essential requirements of environmental directives and new technologies, adopting processes and raw materials with low environmental impact to reduce waste production. The remaining portion of €7.9 million relates to provisions for charges related to industrial restructuring of other Group companies.
Costs for services rose as a result of the increase in market costs related to transport, logistics and ancillary production costs (utilities, external processing, maintenance of plants and machinery, other industrial services).

11.3 Promotional and advertising costs

This item includes the following costs:

	YEAR 2021	YEAR 2020	CHANGE
Advertising costs	(118,148)	(93,593)	(24,555)
Promotional costs	(64,038)	(52,488)	(11,550)
Marketing costs	(47,806)	(39,170)	(8,636)
TOTAL	**(229,992)**	**(185,251)**	**(44,741)**

Promotional and advertising costs increased by approximately €45 million, of which €25 million related to the increase in advertising costs due to the resumption of activities that had slowed down during the previous year due to the pandemic.

The following table provides a breakdown by nature:

	YEAR 2021	YEAR 2020	CHANGE
Purchase of third-party products	(1,107)	(818)	(289)
Change in inventories	(6,703)	(5,783)	(920)
Costs for services	(220,647)	(176,430)	(44,217)
Costs for use of third-party assets	(118)	(97)	(21)
Personnel costs	-	(12)	12
Amortisation and depreciation	(1,089)	(1,065)	(24)
Other costs	(328)	(1,046)	718
TOTAL	**(229,992)**	**(185,251)**	**(44,741)**

11.4 Selling costs

This item mainly includes costs of the commercial structure and the selling network.

The following table provides a breakdown by nature:

	YEAR 2021	YEAR 2020	CHANGE
Purchase of third-party products	(2,406)	(4,061)	1,655
Change in inventories	(1,549)	(1,318)	(231)
Costs for services and other costs	(37,006)	(35,629)	(1,377)
Costs for use of third-party assets	(3,259)	(3,112)	(147)
Personnel costs	(126,514)	(119,503)	(7,011)
Write-down of receivables	(6,156)	(8,611)	2,455
Amortisation and depreciation	(6,229)	(5,271)	(958)
Provisions for risks	(134)	(440)	306
TOTAL	**(183,253)**	**(177,945)**	**(5,308)**

Selling costs rose by €5,309 thousand mainly due to the increase in personnel costs, which represent the most significant component, partially offset by a lower bad debt provisions compared to the previous year.

11.5 General and administrative expenses

	YEAR 2021	YEAR 2020	CHANGE
Personnel costs	(167,562)	(161,642)	(5,920)
Costs for services	(39,951)	(36,966)	(2,985)
Advisory services	(33,016)	(27,610)	(5,406)
Costs for use of third-party assets	(9,365)	(9,206)	(159)
Amortisation and depreciation	(31,658)	(30,339)	(1,319)
Other costs	(7,238)	(6,313)	(925)
Remuneration to Directors and Statutory Auditors	(2,529)	(2,469)	(60)
Purchase of third-party products	(619)	(705)	86
Change in inventories	(649)	(608)	(41)
TOTAL	**(292,587)**	**(275,858)**	**(16,729)**

The item general and administrative expenses includes all structure costs referring to the Lavazza Group's companies and related to the personnel management, legal, administration, finance and control, general management, general services and IT systems functions.
General and administrative expenses rose by about €17 million, chiefly due to the increase in personnel costs, advisory services and costs for services.

11.6 Research and development costs

	YEAR 2021	YEAR 2020	CHANGE
Costs for services, net of grants received	(11,802)	(11,715)	(87)
Purchase of materials	(201)	(447)	246
Change in inventories	(1,163)	(709)	(454)
Other costs	(313)	(120)	(193)
Amortisation and depreciation	(2,308)	(2,050)	(258)
TOTAL	**(15,787)**	**(15,041)**	**(746)**

Research and development costs amounted to about €16 million, essentially in line with the previous year. Research and development activities are mainly carried out and paid for by the Parent Company. In line with the previous year, development and implementation of new food products and coffee machines, as well as of compostable and recyclable packages for capsules and Roast&Ground products continued. The Report on Operations provides further details on the activities carried out.

11.7 Other operating (expense) income and other one-off charges

11.7.1 Other operating (expense) income

Other operating (expense) income is broken down as follows:

	YEAR 2021	YEAR 2020	CHANGE
Royalties	984	1,319	(335)
Insurance reimbursements	718	299	419
Capital gains (losses)	(131)	(1,210)	1,079
Socially beneficial and charitable expense	(10,196)	(4,757)	(5,439)
Amortisation and depreciation	(16,498)	(19,413)	2,915
Provisions	(5,405)	(15,725)	10,320
Impairment of property, plant and equipment	(2,542)	(6,146)	3,604
Personnel costs	(2,884)	(1,105)	(1,779)
Other income (expense)	4,218	2,665	1,553
TOTAL	**(31,736)**	**(44,073)**	**12,337**

The item amounted to €32 million and includes amortisation and depreciation (€16 million), mainly referring to the Carte Noire and Merrild expertise acquired in the previous years and amortised based on a useful life of 20 years, in addition to the amortisation of trademarks, expertise and client portfolio acquired at the end of 2018 with the Lavazza Professional business unit.
Socially beneficial and charitable expenses concern the recurring donations to non-profit organisations and recognised bodies, in support of social, health and cultural projects.
It should be noted that a donation of €8 million provided continued support for projects of the non-profit Giuseppe and Pericle Lavazza foundation, which has always been active in promoting and implementing economic, social and environmental sustainability projects in favour of coffee-growing communities all over the world.
Provisions amounted to €5 million and mainly refer to provisions for litigation.
Impairment of property, plant and equipment amounted to €2.5 million and mainly refer to the Parent Company, particularly regarding Buildings and other non-industrial or disused fixed assets

11.7.2 Other one-off charges

The previous year, these charges amounted to €13.5 million, mainly for donations supporting local projects for the healthcare system, schools and vulnerable groups following the health emergency linked to the Covid-19 pandemic. In 2021, no specific Covid-19-related donations were made.

11.7.3 Profit (loss) from investments in Joint Ventures

This item refers to the economic effect arising on the adjustment to equity of the interest in Y&L Coffee Ltd, a Chinese company 35% held by the Group, and of the interest in Manufacture de Café, a 50% held company.

11.8 Personnel expenses

Personnel expenses include salaries, related contributions, portions of defined benefit plans and other costs, including provisions for bonuses and incentives accrued in the reporting year.

	YEAR 2021	YEAR 2020	CHANGE
Wages and salaries	(259,398)	(252,574)	(6,824)
Social security contributions	(55,921)	(51,993)	(3,928)
Costs for defined benefit plans	(12,729)	(12,643)	(86)
Other costs	(24,833)	(20,347)	(4,486)
Total personnel costs	**(352,881)**	**(337,557)**	**(15,324)**
of which:			
- included in cost of sales	(55,608)	(54,637)	(971)
- included in selling costs	(126,514)	(119,503)	(7,011)
- included in other structure costs	(170,759)	(163,417)	(7,342)
Total personnel costs	**(352,881)**	**(337,557)**	**(15,324)**

Personnel expenses amounted to €353 million, up €15 million compared to the previous year.
The increase is linked to the normal salary review dynamics and to the policies of recruiting increasingly qualified personnel to support priority projects for the business and to strengthen staff function skills.
Moreover, thanks to the positive result achieved in 2021 and in line with a remuneration policy focused on merit and the enhancement of resources, the costs relating to employee bonuses and benefits were significantly higher than in 2020.

Average headcount, broken down by category, is set out in the table below:

CATEGORIES	2021	2020
Senior managers - Middle managers	983	971
Specialised workers	2,138	1,994
Other workers	999	1,188
Total	**4,120**	**4,153**

The following table shows the headcount at year-end and for the previous year:

CATEGORIES	2021	2020
Senior managers - Middle managers	993	974
Specialised workers	2,151	2,105
Other workers	1,025	1,093
Total	**4,169**	**4,172**

11.9 Financial income and expense, dividends and investments results

Financial income and expense

The following table reports the breakdown of financial income and expense for 2021 and the previous year:

	YEAR 2021	YEAR 2020	CHANGE
FV adjustments of securities in profit or loss	4,646	1,449	3,197
Income (expense) from derivatives	(7,271)	19,298	(26,569)
Exchange gains (losses)	12,314	(29,907)	42,221
Other financial income (expense)	(9,518)	(9,574)	56
TOTAL	**171**	**(18,734)**	**18,905**

Income (expense) from derivatives includes fair value changes of derivatives recognised through profit or loss when they do not meet all hedge accounting conditions as per IFRS 9.

Income (expense) from financial derivatives refer to the ineffective component of the derivatives contracted to hedge against foreign exchange, interest rate and commodity risks and subject to hedge accounting, since they met all the conditions for the hedge accounting treatment of derivatives.

Exchange gains amounted to about €12.3 million and refer for about 12.5 million to realised foreign exchange differences on purchases and sales currencies other than the local currency of the consolidated companies (mainly effects linked to the dollar) at the spot exchange rate at year-end. The remaining portion of exchange differences arose on purchases and sales in foreign currencies.

The favourable performance of the dollar and the effective hedging of derivative instruments, as well as the fair value adjustment of financial assets contributed to a significant improvement in financial income and expenses compared to the previous year.

Other financial income and expense were broken down as follows:

OTHER FINANCIAL INCOME	YEAR 2021	YEAR 2020	CHANGE
Other financial income	2,263	3,733	(1,470)
Interest income from banks	928	1,476	(548)
Interest income on financial receivables	1,487	1,949	(462)
Total financial income	**4,678**	**7,158**	**(2,480)**

OTHER FINANCIAL EXPENSE	YEAR 2021	YEAR 2020	CHANGE
Interest and financial charges paid to banks	(5,234)	(5,641)	407
Interest paid to other lenders	(105)	(83)	(22)
Other financial expense	(8,857)	(11,008)	2,151
Total financial expense	**(14,196)**	**(16,732)**	**2,536**

These chiefly refer to income accrued on bonds and other securities held by the subsidiary Lavazza Capital S.r.l.

Interest income from banks mainly refers to interest accrued on current accounts included in the Group's cash and cash equivalents.
Interest income from financial receivables mainly refers to interest accrued on loans granted to clients by the subsidiary Cofincaf S.p.A.
Interest paid to banks mainly refers to interest accrued on corporate loans taken out by the Parent Company.
The "Other financial expense" item refers to the accrued interest paid on right-of-use liabilities, including interest accrued on the Nuvola Headquarters finance lease. It also includes the adjustment of the option right relating to the Kicking Horse acquisition that resulted in a financial expense of €2.7 million during the year.

Dividends and equity investments results

This item amounted to €237 thousand and refers to dividends on investments on equity securities held by Lavazza Capital S.r.l.

11.10 Income taxes

Income taxes for the years ended 31 December 2021and 2020 were broken down as follows:

	YEAR 2021	YEAR 2020	CHANGE
Current taxes	(52,392)	(46,892)	(5,500)
Use (provision) for deferred tax liabilities	(10,780)	22,227	(33,007)
Provision (use) for deferred tax assets	4,709	8,458	(3,749)
TOTAL	**(58,463)**	**(16,207)**	**(42,256)**

Current taxes increased compared to the previous year, due to the higher result for the year.
In relation to deferred taxes, the main changes compared to the previous year are attributable to:

- the effect of the release of deferred tax liabilities following the revaluation of Lavazza S.p.A. industrial assets carried out in 2020 pursuant to Legislative Decree 104/2020 amounting to approximately €16 million;
- the negative effect on unallocated deferred tax assets on the 2021 losses of Lavazza Professional Holding North America amounting to approximately €6 million.

As a result of the tax effect included in OCI:

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME COMPONENTS	2021	2020
Deferred taxes relating to items recognised in OCI for the year		
Gain/(loss) on the write-up of cash flow hedges	(17,861)	5,038
Unrealised gains/(losses) on financial assets	-	746
Net gain/(loss) on actuarial gains/(losses)	(1,538)	527
Income taxes in the consolidated statement of other comprehensive income	**(19,399)**	**6,311**

The reconciliation between income taxes recognised and theoretical taxes resulting from the application of the effective tax rate on pre-tax income was as follows:

GROUP PRE-TAX RESULT	**163,991**
Theoretical tax rate	**24%**
GROUP THEORETICAL TAX RATE	**(39,358)**
Dividends	(180)
Different tax ratio of Group companies	(4,003)
Permanent differences	(16,229)
ACE / Patent Box tax incentives	4,253
Temporary differences for IFRS adjustments and other consolidation adjustments	3,310
Temporary differences	2,973
Prior years' tax losses	1,262
Non-deductible taxes and costs	(139)
Prior years' taxes	(434)
IRAP (regional production tax)	(7,444)
Other local taxes	(2,474)
ACTUAL TAX RATE	**(58,463)**

The theoretical tax rate considered is that in effect at the reporting date of these financial statements, in accordance with the law, taking account of the IRES rate of 24% applied by the Parent Company.
In the interest of a clearer view of reconciliation, IRAP has not been considered, since this tax is calculated on a basis other than pre-tax profit or loss, and hence would have had distorting effects.

Deferred taxes

The following table provides the breakdown by nature of deferred tax assets and liabilities recognised in the Statement of Profit or Loss and Statement of Financial Position:

TYPE	31.12.2020	RETURNS	PROVISIONS	EXCHANGE RATE EFFECT	RECLASSIFICATION	MOVEMENTS TO OCI RESERVE	31.12.2021
PRE-TAX							
Deferred deductibility costs	67,625	(11,885)	16,929	331	(1,475)	-	71,523
Elimination of fiscal effect of intercompany profit	5,621	(1,731)	1,397	-	-	-	5,287
FV adjustment of financial derivatives	5,587	-	-	-	-	(8,363)	(2,777)
Total upfront taxes	**78,832**	**(13,617)**	**18,326**	**331**	**(1,475)**	**(8,363)**	**74,033**
PASSIVE DEFERRED TAXES							
Deferred tax liabilities on depreciation delta	38,094	(14,981)	21,537	-	(1,475)	-	43,175
Other passive differences	18,615	(2,943)	7,166	861	-	-	23,699
FV adjustment of financial derivatives	3,521	-	-	-	-	11,036	14,557
Total deferred taxes	**60,229**	**(17,923)**	**28,704**	**861**	**(1,475)**	**11,036**	**81,431**

12. Commitments and risks

Commitments and risks are given in the following table:

DESCRIPTION	AMOUNT RECEIVED
Commitments to purchase fixed assets	5,923
Commitments to purchase green coffee	21,455
Other real guarantees granted to third parties	403
Guarantees of credit lines granted to third parties	652
Total	**28,433**

This item includes primarily:

COMMITMENTS TO PURCHASE FIXED ASSETS

This item refers to commitments made during the year by Carte Noire Operations S.a.s. for the future purchase of industrial plant and machinery.

COMMITMENTS TO PURCHASE GREEN COFFEE

They refer to the commitments to purchase green coffee undertaken by the subsidiary Kicking Horse Coffee.

PERSONAL GUARANTEES ON LINES OF CREDIT

The subsidiary Lavazza France S.a.s. provides guarantees for loans contracted by its clients in connection with their operating activity.

OTHER GUARANTEES TO THIRD PARTIES

They chiefly refer to the guarantees on coffee machines lend to the subsidiary Lavazza Professional Germany G.m.b.H.

GUARANTEES TO THIRD PARTIES IN FAVOUR OF THE PARENT COMPANY

This item consists of guarantees given in our favour by banks: €1,500,000 in the interest of the Ministry of Economic Development for prize competitions; €4,964,254 for the application for VAT reimbursement to a Group company; JPY 100,000,000 in the interest of Tokyo Customs for import duties and taxes; and €81,000 in the interest of the A.E.M. Energia (Milan) and Edison Energia S.p.A. (Pozzilli) for gas supplies; €204,093 to the Region of Piedmont for clearance work and safety assessment associated with the new Headquarters; €231,930 to the Turin municipality for the creation of equipped flowerbeds at the new headquarters and the groundwater remediation works Isernia for drinking water supply; €16,702 to Consorzio Nucleo Sviluppo Industriale Isernia for drinking water supply; €577,020 to Customs; €690,338 for property leases; €74,000 for Italy's General Commissioner for the participation of Italy to EXPO 2020 DUBAI and referring to the sponsorship of the Italian pavilion.

13. Assets held for sale

Assets held for sale recognised in the consolidated statement of financial position at year-end include the industrial property located in Baranzate and a property for office use in Turin, whose value amounted to €5,247 thousand and €1,000 thousand, respectively.
These properties will be sold and were both adjusted to fair value.
The Group does not have other assets held for sale.

14. Risk management objectives and criteria

As explained in Note 10.21, the Group's main financial liabilities, besides derivative liabilities, include bank loans and financing, trade and other payables. The main objective of such liabilities is to finance the Group's operating activities.

The Group has financial and other receivables, both trade and non-trade receivables, cash and cash equivalents and short-term deposits originating directly from its operating activities. The Group also holds AFS investments, other financial securities and derivative assets.
The Group is exposed to market risk, interest risk, exchange rate risk, raw material price risk, and credit risk.
The Group's management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skill and experience. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Board of Directors reviews and approves policies for managing each of these risks, which are summarised below.

Interest rate risk

Interest rate risk is the risk that interest rate fluctuations impact financial assets, payables to banks and lease contracts.
In the Group's case in particular, interest-rate risk primarily derives from floating-rate medium-/long-term loans.
The Group has contracted financial derivatives (interest rate swaps) with the aim of mitigating this risk by transforming them from floating-rate to fixed-rate.
In addition, the option to transform the lease from floating rate to fixed rate was exercised.

Foreign exchange risk

The Group is exposed to fluctuations in exchange rates, particularly with regard to the purchase of green coffee (the main raw material used), denominated in USD, and to sales in countries with currencies other than the Euro.
In order to reduce the impact of changes in exchange rates on expected cash flows, the Group contracts derivatives for hedging purposes, in accordance with its risk management policy.

Risk of coffee price fluctuations

The price of green coffee is subject to considerable volatility caused by both variables relating to physical supply and demand mechanisms (harvest, stocks, consumption and logistical limitations) and speculative activity on the exchanges.
In order to limit the impact of fluctuations in coffee prices, the Group adopts procurement policies that aim to reduce price changes, while also undertaking hedging transactions through financial derivatives, as established by its risk management policy.
No speculative transactions are undertaken.

Credit risk

The Group has established a credit management (trade finance) function, exclusively tasked with monitoring credit status, payment reminders, customised and specific management of each client, through internal risk control procedures.
The Group applies a specific policy aimed at standardising the processes of assigning credit limits to and clustering clients in the interest of uniform management of credit issues across the various countries.
This process is supported by a sale order monitoring scheme based on defined credit limits, implemented in the Group's IT systems.
Disputed accounts are regularly monitored with legal counsel to ensure constant updates to the stages of the various cases, as reflected in an accrual to the provision for the write-down of receivables.
Trade receivables from third parties deemed to have become impaired are classified as bad debts, primarily past due by more than one year and managed through legal procedures.
The maximum amount of the risk at the reporting rate is equal to the net carrying amount of the trade receivables, also taking account of the risk of the expected credit loss estimated by the Company on the basis of the business model identified (as defined by IFRS 9).

15. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties in 2021 and in the previous year:

2021

COMPANY	TYPE	SALES OF GOODS AND SERVICES	PURCHASES GOODS AND SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSE	TRADE RECEIVABLES	TRADE PAYABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES
Lavazza Trading (Shenzhen) Co.Ltd	Subsidiary	-	1,274	-	-	-	770	-	-
Lavazza Maroc S.a.r.l.	Subsidiary	-	158	-	-	4	96	-	-
Manufacture de Café	Associate	23	-	-	-	23	-	176	-
Yibai Co. LTD	Associate	284	-	-	-	284	-	-	-
Torino Inv.1895 S.p.A	Other related party	-	-	692	-	-	-	70,175	-
Lavazza Entertainment S.r.l.	Other related party	-	-	-	1	-	-	-	476
Lavazza Eventi S.r.l.	Other related party	427	1,324	-	-	157	106	-	348
Lea S.r.l.	Other related party	170	854	-	-	46	750	391	2
Tosetti Value S.p.A.	Other related party	-	708	-	-	-	-	-	-
Chili S.p.A.	Other related party	-	1,040	-	-	-	5	-	-
Total		**905**	**5,357**	**692**	**1**	**515**	**1,727**	**70,741**	**826**

2020

COMPANY	TYPE	SALES OF GOODS AND SERVICES	PURCHASES GOODS AND SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSE	TRADE RECEIVABLES	TRADE PAYABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES
Lavazza Trading (Shenzhen) Co.Ltd	Subsidiary	-	1,011	-	-	-	545	-	-
Lavazza Maroc S.a.r.l.	Subsidiary	4	136	-	-	4	81	-	-
Torino Inv.1895 S.p.A	Other related party	-	-	708	-	-	-	70,000	-
Lavazza Entertainment S.r.l.	Other related party	-	-	-	1	-	-	-	493
Lavazza Eventi S.r.l.	Other related party	293	703	-	1	(1)	49	-	305
Lea S.r.l.	Other related party	383	274	-	-	-	4	16	2
Tosetti Value S.p.A.	Other related party	-	580	-	-	-	290	-	-
Chili S.p.A.	Other related party	-	1,487	-	-	-	75	-	-
Total		**680**	**4,192**	**708**	**2**	**3**	**1,045**	**70,016**	**799**

Sales to and purchases from related parties are carried out at arms' length conditions. For the year ended 31 December 2021, the Group had no impairments on contracts with related parties. The impairment test is carried out yearly, at each reporting date, considering the financial position of the related party and the market where it operates.

Regarding transactions with related parties, these cannot be categorised either as atypical or unusual and fall within the normal course of Group company operations. These transactions are settled at arm's length and have been conducted under conditions equivalent to those prevailing in free transactions between independent parties.

Related parties have not changed substantially from the previous year, with the exception of several services rendered by Yibai Co. LTD, belonging to the Y&L Coffee Limited Group, in which Luigi Lavazza S.p.A. holds a 35% stake.

Remuneration paid to Directors and Statutory Auditors is detailed in the following table (in Euro):

	TOTAL REMUNERATION PAID
Fixed remuneration to Directors	1,830,054
Fixed remuneration to Statutory Auditors	167,440
Total	**1,997,494**

Information on the consideration owed to the independent auditors of the annual accounts pursuant to the new paragraph 1 of Article 38 of Legislative Decree No. 127/91

The following table presents the total amount of the consideration owed to EY S.p.A. for conducting statutory independent audits of the annual accounts of the Financial Statements of the Parent Company, Luigi Lavazza S.p.A., its Italian subsidiaries Cofincaf S.p.A., Lavazza Capital S.r.l., Nims S.p.A. and Lavazza Professional Holding Europe S.r.l, and, separately, a statutory independent audit of the Consolidated Financial Statements of the Lavazza Group for the year ended 31 December 2021, as well as the total amount of consideration accrued for other minor services relating to methodological support activities.

ACTIVITY	COMPANY	2021
Audit of annual accounts	Luigi Lavazza S.p.A.	77,000
	Consolidated Lavazza Group	82,000
	Cofincaf S.p.A.	24,000
	Lavazza Capital S.r.l.	18,000
	Nims S.p.A.	25,000
	Lavazza Professional Holding Europe S.r.l.	5,000
Total		**231,000**

16. Post balance sheet events

The Group has distributors and customers in emerging markets that may also be subject to geopolitical risks such as, for example, Russia and Ukraine. At the reporting date, the devastating effects in both countries produced by the Russian invasion of Ukraine are evident. Most production and commercial activities have been suspended. At the same time, Russia has been hit by heavy sanctions issued by the main European and Nato countries as well as the flight of foreign private investors which are weakening its economy. There are no significant impacts on the Group's business even though all activities in Russia were suspended at the reporting date, combined with the inability to supply the Ukrainian market.
The 2021 results are not only a historic milestone for the Group but also the starting point from which to face a year that promises to be extremely complex and challenging, due to the rise in all the raw materials we deal with: green coffee primarily but also packaging, energy and logistics. The strong price volatility marking this period makes it particularly difficult to provide completely reliable forecasting elements.
Finally, with regard to the Covid-19 pandemic situation, a large part of the population has completed the primary vaccination cycle and so it is hoped that the arrival of the summer season will see a generalised recovery in consumption, with particular regard to the Away from Home sector.

Independent Auditors' Report

Building a better working world

Luigi Lavazza S.p.A.

Consolidated financial statements as of December 31, 2021

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Building a better working world

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Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Luigi Lavazza S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lavazza Group (the Group), which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Luigi Lavazza S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group’s ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Luigi Lavazza S.p.A. or to cease operations, or have no realistic alternative but to do so.

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Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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 internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting 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 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 consider this matter in forming 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 to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained 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 have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, 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.

Building a better working world

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Luigi Lavazza S.p.A. are responsible for the preparation of the Report on Operations of Lavazza Group as of December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Lavazza Group as of December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Lavazza Group as of December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Turin, April 13, 2022

EY S.p.A.
Signed by: Stefania Boschetti
Auditor

This report has been translated into the English language solely for the convenience of international readers.

LUIGI LAVAZZA S.p.A. FINANCIAL STATEMENTS at 31 December 2021

Accounting Statements

Balance Sheet - Assets

	€ units		31.12.2021		31.12.2020
A)	CALLED-UP SHARE CAPITAL NOT PAID OUTSTANDING PAYMENTS		-		-
B)	ASSETS				
I)	INTANGIBLE ASSETS				
1)	start-up and expansion costs		-		-
2)	development costs		5,673,945		4,301,648
3)	industrial patent rights and rights for exploitation of intellectual property		1,659,484		331,118
4)	concessions licenses, trademarks and similar rights		212,040,084		227,366,814
5)	goodwill		253,495,695		270,612,542
6)	intangible assets in process and advances		7,490,099		8,859,339
7)	other		42,887,643		34,390,211
	TOTAL INTANGIBLE ASSETS		**523,246,950**		**545,861,672**
II)	PROPERTY, PLANT AND EQUIPMENT				
1)	land and buildings		81,001,120		83,790,568
2)	plant and machinery		205,122,026		209,946,525
3)	industrial and commercial equipment		45,880,348		57,127,887
4)	other assets		10,093,505		11,730,104
5)	tangible assets in process and advances		23,097,456		12,755,981
	TOTAL TANGIBLE ASSETS		**365,194,455**		**375,351,065**
III)	FINANCIAL ASSETS				
1)	investments in:				
	a) subsidiaries		1,329,904,796		1,259,400,369
	b) associates		36,534,327		6,262,747
	d-bis) other companies		7,293,917		7,293,758
2)	receivables:				
	a) to subsidiaries		120,553,359		161,541,089
	of which due after one year	120,553,359		161,541,089	
	d-bis) to others		757,169		788,668
	of which due after one year	757,169		788,668	
4)	derivative financial assets		2,162,940		4,878,885
	TOTAL NON-CURRENT FINANCIAL ASSETS		**1,497,206,508**		**1,440,165,516**
	TOTAL FIXED ASSETS (B)		**2,385,647,913**		**2,361,378,253**

C)	CURRENT ASSETS		
I)	INVENTORIES		
1)	raw material, ancillaries and consumables	215,320,331	191,582,276
2)	work in progress and semi-finished goods	2,089,822	1,019,729
4)	finished products and goods	94,579,710	97,225,342
5)	advances payments	816,319	876,015
	TOTAL INVENTORIES	**312,806,182**	**290,703,362**
II)	RECEIVABLES		
1)	trade receivables	115,072,525	102,050,470
2)	from subsidiaries	280,128,302	253,896,380
3)	from associates	284,477	-
4)	from parent companies	27,500	-
5)	from related companies	594,081	16,509
5-bis)	tax receivables	16,042,935	8,975,163
5-ter)	prepaid taxes	43,881,452	41,453,828
5-quater)	other receivables	7,145,402	8,983,764
	TOTAL RECEIVABLES	**463,176,674**	**415,376,114**
III)	FINANCIAL ASSETS OTHER THAN FIXED ASSETS		
5)	derivative financial assets	16,079,492	15,297,219
6)	other securities	-	-
	TOTAL FINANCIAL ASSETS OTHER THAN FIXED ASSETS	**16,079,492**	**15,297,219**
IV)	CASH AND CASH EQUIVALENTS		
1)	bank and post office deposits	483,156,145	179,161,026
3)	cash and valuables on hand	175,156	144,347
	TOTAL CASH AND CASH EQUIVALENTS	**483,331,301**	**179,305,373**
V)	TANGIBLE ASSET HELD FOR SALE	**6,236,337**	**8,386,337**
	TOTAL WORKING CAPITAL (C)	**1,281,629,986**	**909,068,405**
D)	PREPAYMENTS AND ACCRUED INCOME	**29,917,731**	**28,718,976**
	TOTAL ASSETS	**3,697,195,630**	**3,299,165,634**

Balance Sheet – Equity and Liabilities

€ units			31.12.2021		31.12.2020
A)	EQUITY				
I.	SHARE CAPITAL		25,000,000		25,000,000
II.	SHARE PREMIUM ACCOUNT		223,523		223,523
III.	REVALUATION RESERVES		426,580,270		426,580,270
IV.	LEGAL RESERVE		5,000,000		5,000,000
V.	STATUTORY RESERVES		-		-
VI.	OTHER RESERVES				
	Extraordinary reserve		211,519,258		203,611,325
	Reserve Re. Art.18 Presidential Decree 675/77		16,892		16,892
	Reserve Re. Art. 55 law 526 of 7/8/82		86,235		86,235
	Reserve Re. Law 46 of 17/02/82		90,785		90,785
	Reserve Re. Art. 55 dpr 917/86		212,481		212,481
	Reserve Re. Law 130 of 26/04/83		162,463		162,463
	Reserve Re. Law 488 of 19/12/92		380,808		380,808
	Restricted reserve arising on exchange gains		-		7,907,933
	Merger surplus		56,953,074		56,953,074
VII.	HEDGE RESERVE FOR EXPECTED CASH FLOWS		40,715,275		(6,451,155)
VIII.	PROFIT CARRIED FORWARD		1,545,635,099		1,487,239,948
IX.	PROFIT FOR THE YEAR		103,604,137		91,470,155
X.	NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO		(17,732,533)		(17,732,533)
	TOTAL EQUITY		**2,398,447,767**		**2,280,752,204**
B)	PROVISIONS				
1)	for pension and similar obligations		2,797,917		2,794,874
2)	for taxes, including deferred		19,149,576		5,402,306
3)	derivative financial liabilities		4,040,181		19,964,026
4)	other		124,585,112		92,491,591
	TOTAL PROVISIONS		**150,572,786**		**120,652,797**
C)	EMPLOYEE LEAVING INDEMNITIES		**12,138,174**		**12,578,630**
D)	LIABILITIES				
4)	payables to banks		628,988,723		464,439,416
	a) of which due after one year	453,816,903		309,308,816	
6)	advances payments		1,482,963		992,830
7)	trade payables		277,214,077		203,294,883
9)	payables to subsidiaries		119,528,874		125,905,797
11)	payables to the Parent		10,315,835		10,199,264
11 bis)	payables to related companies		1,684,896		978,330
12)	deferred tax liabilities		6,094,769		8,863,397
13)	social security liabilities		5,412,091		5,878,681
14)	other liabilities		76,127,600		58,297,454
	TOTAL LIABILITIES		**1,126,849,828**		**878,850,052**
E)	ACCRUALS AND DEFERRED INCOME		**9,187,075**		**6,331,951**
	TOTAL EQUITY AND LIABILITIES		**3,697,195,630**		**3,299,165,634**

Statement of Profit or Loss

€ units		YEAR 2021		YEAR 2020	
A)	VALUE OF PRODUCTION				
1)	net revenues		1,660,705,990		1,520,996,333
2)	change in inventories of work in progress, semi-finished and finished goods		520,134		6,436,404
5)	other income and revenues:		129,908,132		103,916,575
	a) miscellaneous	128,456,182		102,477,862	
	b) grants	1,451,950		1,438,713	
	TOTAL VALUE OF PRODUCTION		**1,791,134,256**		**1,631,349,312**
B)	COSTS OF PRODUCTION				
6)	for raw materials, ancillaries, consumables and goods		780,547,288		748,586,719
7)	for services		580,206,360		498,155,818
8)	for use of third-party assets		24,167,103		22,549,496
9)	for personnel:		174,346,379		162,970,517
	a) wages and salaries	123,480,433		114,390,141	
	b) social security costs	33,992,308		32,082,590	
	c) severance indemnities	7,561,739		8,211,482	
	e) other costs	9,311,899		8,286,304	
10)	amortisation, depreciation and write-downs		102,095,470		89,649,983
	a) amortisation	46,555,584		43,646,706	
	b) depreciation	51,428,987		40,540,226	
	c) other write-downs of fixed assets	2,800,507		2,623,967	
	d) write-downs of current receivables and of cash and cash equivalents	1,310,392		2,839,084	
11)	changes in inventories of raw material, ancillaries, consumables and goods		(23,738,055)		(18,004,584)
12)	provisions for risks		23,027,083		11,648,648
13)	other provisions		221,642		1,239,340
14)	miscellaneous operating costs		19,130,561		27,499,248
	TOTAL COSTS OF PRODUCTION		**1,680,003,831**		**1,544,295,185**
	DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)		**111,130,425**		**87,054,127**

C)	FINANCIAL INCOME AND EXPENSE				
15)	income from investments		25,516,195		33,053,684
	- from subsidiaries and associates	25,516,195			
16)	other financial income	-		33,053,684	
	a) from non-current receivables		2,796,639		3,806,850
	- from subsidiaries and associates	2,796,639		3,806,850	
	d) income other than the preceding ones		34,498		586,564
	- from subsidiaries and associates	7,899		26,971	
	- from companies controlled by the Parent	268		638	
	- from other companies	26,331		558,955	
17)	interest and other financial expense		(5,725,282)		(6,187,859)
	- paid to subsidiaries and associates	(620,162)		(678,811)	
	- paid to companies controlled by the parent company	(235)		(2,091)	
	- paid to other companies	(5,104,885)		(5,506,957)	
17-bis)	exchange gains and losses		6,196,187		(6,564,852)
	TOTAL FINANCIAL INCOME AND EXPENSES		**28,818,237**		**24,694,387**
D)	VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
18)	write-ups		1,494,654		2,855,470
	a) of equity investments	-		-	
	d) of derivatives	1,494,654		2,855,470	
19)	write-downs:		(5,766,246)		(3,600,222)
	a) of equity investments	(2,731,408)		(2,947,233)	
	b) of financial fixed assets other than investments	-		-	
	c) of current securities other than investments	-		-	
	d) of derivatives	(3,034,838)		(652,989)	
	TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS		**(4,271,592)**		**(744,752)**
	PROFIT BEFORE TAXES (A-B+-C+-D)		**135,677,070**		**111,003,762**
20)	current, deferred and prepaid income taxes for the year		(32,072,933)		(19,533,607)
	current taxes	(38,886,350)		(30,099,061)	
	net deferred tax liabilities	59,875		1,452,775	
	net deferred tax assets	7,133,505		7,015,637	
	taxes relating to previous years	(379,963)		2,097,042	
21)	**PROFIT FOR THE YEAR**		**103,604,137**		**91,470,155**

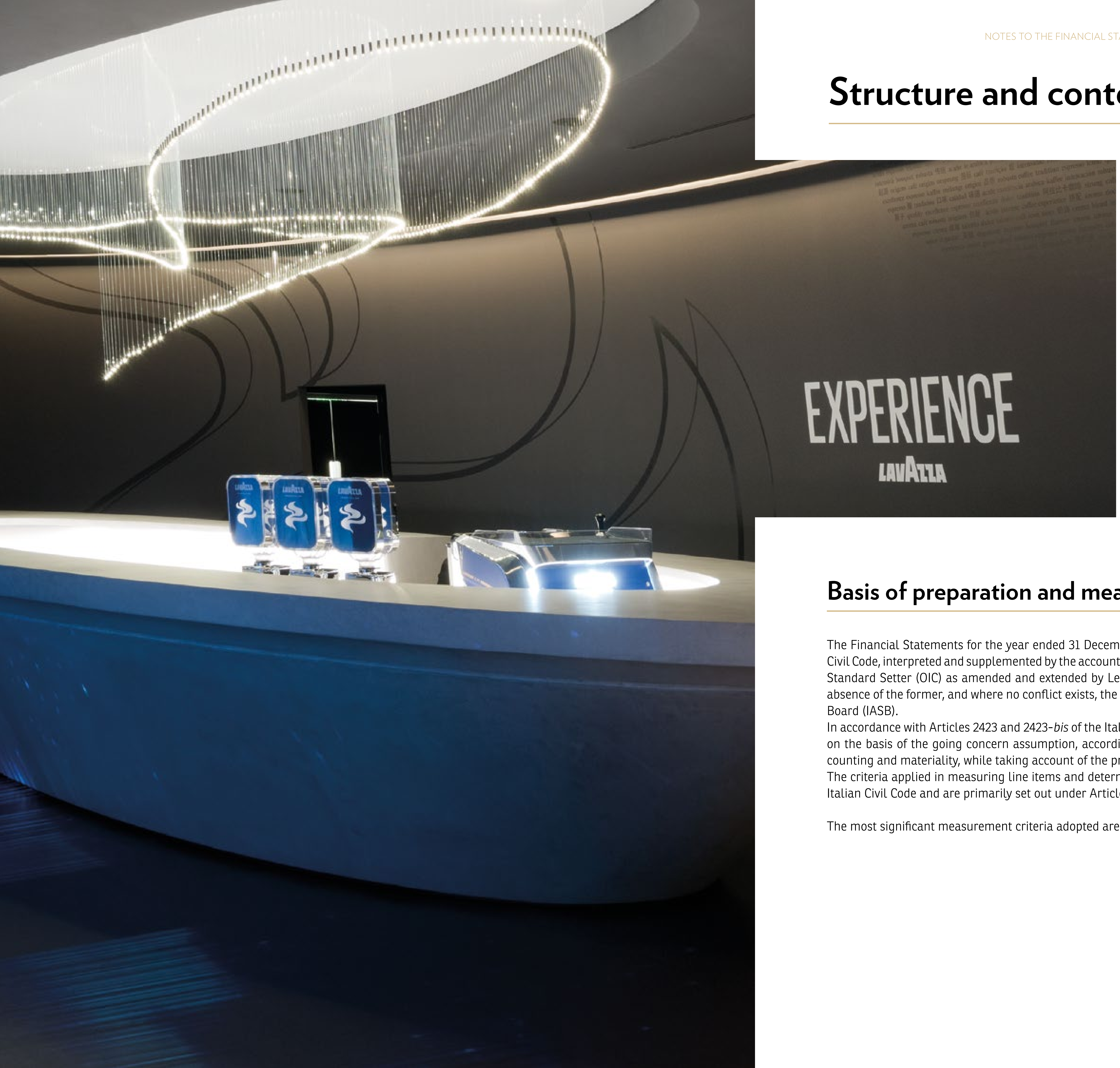
Statement of Cash Flows

€ units		YEAR 2021	YEAR 2020
A	Cash flows from operating activities		
	Profit (loss) for the year	103,604,137	91,470,155
	Income taxes	32,072,933	19,533,607
	Interest expense / (interest income)	(3,302,042)	8,359,297
	Derivatives	1,540,184	-
	(Dividends)	(25,516,195)	(33,053,684)
1	**Profit (loss) for the year before income taxes, interest, dividends and gains / losses from disposal**	**108,399,017**	**86,309,375**
	Adjustments for non-monetary items that have no offsetting entry in net working capital		
	Provisions	56,611,787	50,064,292
	Provision of employee severance indemnities	435,561	160,678
	Amortisation and depreciation	97,984,571	84,186,932
	Write-down / write-up of equity investments and derivatives	2,731,408	2,973,356
	Other impairment losses	2,800,507	2,623,967
	Value adjustments to derivative financial assets and liabilities that do not entail monetary movements	40,538,183	(12,537,881)
	Other adjustments for non-monetary items	-	(2,005,944)
	Net effect of merger	(1,097,388)	185,935
2	**Cash flow before changes in net working capital**	**308,403,646**	**211,960,710**
	Changes in net working capital		
	Decrease / (increase) in inventories	(19,952,820)	(30,122,773)
	Decrease / (increase) in trade receivables	(13,022,055)	17,087,266
	Decrease / Increase of receivables from Group companies	(28,260,400)	13,466,297
	Increase / (decrease) in trade payables	74,409,327	(44,957,573)
	Decrease / Increase of payables to Group companies	(269,459)	15,379,304
	Decrease / (increase) in prepayments and accrued income	(1,198,755)	4,941,112
	Increase / (decrease) in accruals and deferred income	2,855,124	1,023,127
	Other changes in net working capital	15,259,356	12,860,132
3	**Cash flow after changes in net working capital**	**338,223,964**	**201,637,603**
	Other adjustments		
	Interest received / (paid)	(739,539)	(8,359,297)
	(Income taxes paid)	(36,352,816)	(4,129,230)
	Dividends collected	25,516,195	29,053,684
	(Use of funds)	(26,691,798)	(25,278,768)
	(Severance indemnities paid)	(876,017)	(1,297,697)
	Total cash flows from operating activities (A)	**299,079,989**	**191,626,294**

B	Cash flows from investing activities		
	Property, plant and equipment		
	(Investments)	(46,513,482)	(41,526,020)
	Disposal price	3,041,768	4,360,552
	Intangible assets		
	(Investments)	(21,053,116)	(19,124,925)
	Disposal price	-	-
	Financial assets		
	(Investments)	(58,909,096)	(53,054,198)
	Disposal price	1,833,232	11,000,485
	Current financial assets		
	(Investments)	(782,273)	8,914,339
	Disposal price	-	-
	Total cash flows from investing activities (B)	**(122,382,967)**	**(89,429,767)**
C	Cash flows from financing activities		
	Third-party funds		
	Increase (decrease) in short-term payables + other than to banks	164,549,307	(124,600,185)
	Increase (decrease) in financial payables to subsidiaries	(4,145,398)	4,529,777
	Own funds		
	(Dividends (and advances on dividends) paid)	(33,075,003)	(50,175,004)
	Total cash flows from financing activities (C)	**127,328,906**	**(170,245,412)**
	Increase (decrease) in cash and cash equivalents (A +- B +- C)	**304,025,928**	**(68,048,885)**
	Cash and cash equivalents at year-start	**179,305,373**	**247,354,258**
	Cash and cash equivalents at year-end	**483,331,301**	**179,305,373**

The Company has prepared the Statement of Cash Flows, which reconciles the main changes in the company's equity and changes in financial position during the year. It highlights the values of the financial resources that the Company required in the year, as well as their use.
It should be noted that in preparing the Statement of Cash Flows, pursuant to OIC 10, the Company has adopted the indirect method whereby profit for the year is adjusted for non-monetary components.

Notes to the Financial Statements of Luigi Lavazza S.p.A.



Structure and contents

These Financial Statements, composed of the Balance Sheet, Statement of Profit or Loss, Statement of Cash Flows and the Notes to the Financial Statements, have been prepared in accordance with Legislative Decree No. 127 of 9 April 1991, as amended by Legislative Decree No. 6 of 17 January 2003 and Legislative Decree No. 139 of 18 August 2015. They provide a fair and true representation of the Company's financial position, operating performance and cash flows for the year.
The Directors' Single Report on Operations in the previous pages accompanies these Financial Statements.
The financial statements have been prepared in compliance with Articles 2423-*ter*, 2424, 2424-*bis*, 2425, 2425-*bis*, 2425-*ter* of the Italian Civil Code. Figures are stated in units of Euro.
The Notes to the financial statements provide the information required by Articles 2427 and 2427-*bis* of the Italian Civil Code. Amounts are denominated in units of Euro, unless stated otherwise in the comments of the related financial statement items.
Items omitted from the financial statements are understood to have nil balances in both the reporting year and the previous year.

Basis of preparation and measurement

The Financial Statements for the year ended 31 December 2021 have been prepared in compliance with the Italian Civil Code, interpreted and supplemented by the accounting standards drawn up and revised by the Italian Accounting Standard Setter (OIC) as amended and extended by Legislative Decree No. 139/2015 of 1 January 2016 and, in the absence of the former, and where no conflict exists, the standards issued by the International Accounting Standards Board (IASB).
In accordance with Articles 2423 and 2423-*bis* of the Italian Civil Code, the Financial Statements have been prepared on the basis of the going concern assumption, according to the general principles of prudence, accrual basis accounting and materiality, while taking account of the prevalence of the substance of a transaction or contract.
The criteria applied in measuring line items and determining adjustments are consistent with the provisions of the Italian Civil Code and are primarily set out under Article 2426.

The most significant measurement criteria adopted are illustrated below.

Intangible assets

Intangible assets are recognised at purchase or production cost, including ancillary charges and directly attributable costs, adjusted in prior years for revaluations pursuant to Laws Nos. 408/1990, 342/2000, 350/2003 and 266/2005. The cost of intangible assets is systematically amortised on a straight-line basis each year, considering the residual useful life of the asset. The rates applied are set out in the section of the Notes on Assets.

START-UP AND EXPANSION COSTS

Start-up and expansion costs, where present, have been recognised among assets with the consent of the Board of Statutory Auditors and are amortised over a period of no more than five years.

DEVELOPMENT COSTS

Development costs involve a plan or project for the production of new products or processes and are amortised based on their useful lives; in exceptional cases in which it is not possible to estimate their useful lives, they are amortised over a period of no more than five years.
Development costs are recognised among assets with the consent of the Board of Statutory Auditors only if: (i) the cost attributable to the asset during its development can be reliably measured; (ii) the product or the process is feasible from a technical and commercial standpoint; and (iii) it is probable that there will be future economic benefits and there are sufficient resources to complete the development.

RIGHTS FOR INDUSTRIAL PATENTS AND RIGHTS FOR EXPLOITATION OF INTELLECTUAL PROPERTY

Patents have been recognised among assets at purchase or internal production cost, including any additional costs incurred for administrative and application procedures, and are amortised according to their useful lives, which may not, in any event, exceed the legal or contractual limit.

CONCESSIONS, LICENCES, TRADEMARKS AND SIMILAR RIGHTS

Concessions, licences, trademarks and similar rights, where purchased for consideration, are recognised among assets at the price paid by the Company to obtain them and are amortised according to their useful lives, which may not, in any event, exceed the legal or contractual limit and can never exceed 20 years.

GOODWILL

Goodwill is recognised among assets, with the consent of the Board of Statutory Auditors, if it is purchased for consideration, and is amortised according to its useful life.
The Company has exercised the option for prospective application, pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, of the changes to the method for determining the amortisation period for goodwill.
Consequently, goodwill recognised prior to the financial year beginning on 1 January 2016 has been amortised over a period of no more than five years or, where the useful life was greater, over a period of no more than 20 years.
Goodwill recognised on or after 1 January 2016 has been amortised according to its useful life, with a maximum limit of 20 years, and over a period of no more than ten years when its useful life cannot be estimated reliably.

FIXED ASSETS IN PROCESS AND ADVANCES

Fixed assets in process and advances include intangible assets in progress, initially recognised on the date on which the Company incurs the first (internal and external) costs for the production of the asset and advances to suppliers towards the purchase of intangible assets, initially recognised when the obligation to pay the amounts concerned arises. Such costs continue to be carried as fixed assets until ownership of the right is acquired or the project is completed. When these conditions occur, the amounts in question are classified to the appropriate item of intangible assets.

Tangible assets

Tangible assets are recognised at purchase or internal production cost, revalued where required, in compliance with the monetary revaluation laws, as indicated in the relevant table.
Purchase costs for goods acquired from third parties include ancillary charges and direct and indirect costs, to the extent reasonably attributable to the asset, from the period of production and for its remaining useful life.
Assets acquired through contribution or merger are recognised at the contribution value established in the pertinent documents on the basis of the related appraisal.
The cost of internally produced assets includes all costs directly attributable to the asset, in addition to the share of general production costs reasonably attributable to the asset with regard to the production period, until the asset is ready for use.
Ordinary maintenance costs are recognised to the statement of profit or loss for the financial year in which they are incurred.
The costs of improvements and incremental expenses, including extraordinary maintenance costs, in addition to the costs of leasehold improvements capable of being separated from the assets in question, which give rise to a significant, measurable increase in the capacity, productivity or security of the assets, or which extend their useful lives, qualify as capitalisable costs and are accounted for as an increase in the value of the assets to which they refer, within the limits of the recoverable amount of the asset.

Tangible assets are systematically depreciated each year on a straight-line basis. Depreciation is based on economic and technical rates taking account of the remaining useful lives of the assets. The rates applied are indicated in the Notes on Assets.
If an element of tangible assets is made up of different components with different useful lives, such components are recognised separately only if they are significant components.
Land is not subject to the depreciation process.

ASSETS HELD FOR SALE AND OBSOLETE ASSETS

When it is decided to dispose of a tangible asset, the latter is reclassified to current assets and then measured at the lesser of its net carrying amount and the presumed realisable value based on market performance, i.e., the selling price in the course of normal operation, net of direct selling and disposal costs. Moreover, assets intended for sale are no longer subject to depreciation.
Obsolete assets and, more generally, assets that will no longer be used or useable in the production cycle on a permanent basis, are measured at the lesser of net carrying amount and recoverable amount, and are no longer subject to depreciation.

Grants towards tangible and intangible assets

Grants are recognised when it is reasonably certain that the conditions for receipt of the grant have been met and the grants will be disbursed.
They are accounted for according to the indirect method, whereby a grant indirectly reduces the cost of the fixed assets to which it refers, by booking them to item A5 "Other income and revenues" of the statement of profit or loss, and then deferred to subsequent years by recognising deferred income. Amortisation and depreciation of fixed assets are therefore calculated on the basis of the value of the assets, gross of the grants received.

Impairment losses on fixed assets

At each reporting date, the Company assesses whether there are any indications that tangible and intangible assets (including goodwill) may have become impaired.
If such signs exist, the carrying amount of the asset is reduced to its recoverable amount, determined as the greater of fair value, net of costs to sell and value in use. Fair value is represented, firstly, by a price arising from a binding sale agreement in a transaction between independent counterparties, net of the costs directly attributable to the sale. In the absence of a binding agreement, it is verified whether there is a current offering price in an active market. If there is no binding sale agreement or market of reference, fair value is based on the best information available to the entity and which reflects the net amount that could be realised from sale, at the reporting date, in a free transaction between informed, willing parties. When the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. The value in use of an asset is calculated by determining the present value of the expected future cash flows over a 3-5 year time horizon, according to a discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. An impairment loss is recognised if the recoverable amount is less than the net carrying amount.
Impairment losses are reversed if the grounds for recognising them no longer apply. The amount of the reversal cannot exceed the value that would have resulted if the impairment loss had never been recognised. No reversals are recognised on goodwill and capitalised expenses.

Finance leases

The accounting treatment of lease transactions is consistent with the customary statutory practice in Italy (so-called "equity method") and involves the recognition of rent payments in the statement of profit or loss as they accrue.
The adoption of the finance lease method would have entailed the recognition in the statement of profit or loss, in lieu of lease payments, of interest on the residual principal of the financing and the depreciation charges on the value of the leased property, commensurate to the remaining useful life of that property, as well as the recognition of the leased property as an asset and the remaining debt as a liability.
Pursuant to Article 2427, paragraph 1(22), of the Italian Civil Code, these Notes include information about the effects of the adoption of the finance lease method:

- the total amount at which the leased assets would have been carried at the reporting date, had they been considered fixed assets;
- the depreciation, impairment and reversals that would have accrued during the year;
- the present value of future lease payments, determined using the effective interest rate of the finance lease agreement;
- the finance expense accrued during the year, determined according to the effective interest rate.

Investments and financial receivables

INVESTMENTS

These are equity interests in other companies and they are divided into investments in subsidiaries and associates, as defined in Article 2359 of the Italian Civil Code, and equity investments in other companies.
These are measured at cost, represented by the purchase price, the sums paid for subscription or the value attributed to the contributed assets, including ancillary costs.
Investments intended to be held for the long term are recognised among financial assets.
Investments are reviewed in order to determine the operating performance and financial position of the investees. Such analyses are essentially based on the results achieved by the investees and their equity, as stated in their most recent financial statements available.
If the difference between the cost and the interest in equity held indicates that an investment has become impaired, it is written down accordingly. Cost is normally reduced if an investee has recorded a loss or the value of an investment has otherwise decreased and profits or other favourable events sufficient to cover the losses are not expected in the near future. If the reasons for impairment subsequently cease to exist, the original value is reversed.
Investments not classified as fixed assets are measured at the lesser of purchase cost and realisable value according to market trends.

FINANCIAL RECEIVABLES

Pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, the Company has opted for prospective application of the new basis of measurement for receivables at amortised cost and the discounting of receivables.
Consequently, financial receivables recognised prior to 1 January 2016 are carried at their nominal value, adjusted for impairment losses, if any. If the reasons for impairment subsequently cease to exist, the value is reversed up to the original value.
Financial receivables recognised on or after 1 January 2016 are measured at amortised cost, taking account of the time factor and their presumed realisable value. Transaction costs, commissions payable and receivable, where applicable, and all differences between the initial value and nominal value at maturity are included in the calculation of amortised cost by using the effective interest criterion over the expected duration of the receivable.
It is possible not to apply the amortised cost criterion to receivables when its application is not material to a true and fair representation. The Company has exercised this option for these financial statements.

Securities

Pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, the Company has opted for prospective application of the new basis of measurement for securities at amortised cost and the discounting of securities.
Securities intended to be held by the Company for the long term are classified as fixed assets and measured at amortised cost, where applicable, less any impairment losses.
Securities recognised as current financial assets — involving temporary investment of excess liquidity that is not intended for being held by the Company for the long term — are measured at the lesser of purchase cost, including ancillary charges recognised on an accrual basis pursuant to OIC 20, and presumable market value.

Inventories

Inventories are recognised at the lesser of either purchase and/or production cost and expected realisable value based on market trends, taking into account the related ancillary selling costs.
The cost of inventories, measured based on the average cost for homogeneous category, includes directly connected ancillary charges. The production cost includes directly attributable costs and the reasonably attributable share of indirect production costs, with the inclusion of financial expense up to the limit of the realisable value of the asset.
In order to adequately represent the value of inventories in the financial statements, and to take into consideration the impairment losses of obsolete and slow-moving material, an obsolescence allowance on inventories has been recognised, which is directly deducted from the value of inventories.
The inventory write-down provision reflects the Company's estimate of expected impairment losses, as determined in light of past experience, as well as the historic trend and the expected market trend, including following specific actions undertaken by the Company.

Receivables and payables

Pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, the Company has opted for prospective application of the new basis of measurement for receivables at amortised cost and the discounting of receivables.
Consequently, receivables recognised prior to the year beginning on 1 January 2016 are carried at their presumed realisable value, which corresponds to the difference between the nominal amounts of the receivables, adjusted by bad debt provisions, which are directly deducted from the items to which they refer, whereas payables are carried at their nominal values.
Receivables and payables recognised on or after 1 January 2016 are measured at amortised cost, considering the time factor and, in the case of receivables, their presumed realisable value.
The value at initial recognition is represented by the nominal value, net of all premiums, discounts, allowances and any costs directly attributable to the transaction that gave rise to the receivable or payable.
Transaction costs, commissions payable and receivable, where applicable, and all differences between the initial value and nominal value at maturity are included in the calculation of amortised cost by using the effective interest method.
It is possible not to apply the amortised cost criterion when its application is not material to a true and fair representation.
The estimate of the inventory write-down provision is based on the Company's expected impairment losses, as determined in light of past experience and also prospectively considering the probability of counterparty's insolvency, the loss rate in case of insolvency and the exposure accrued at the moment of default.
Any factored receivables are derecognised if, and only if, essentially all risks associated with the receivable have been transferred. Otherwise, they continue to be carried forward, and a financial liability of equal amount is recognised to account for the advance received.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value. Any amounts in foreign currencies are measured at the current exchange rate at year-end.

Accruals and deferrals

Accruals and deferrals include portions of costs and revenues common to two or more consecutive financial years whose amount is determined using the accruals concept.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of a stated nature or certain or probable existence, the amount or date of which could not be identified at year-end. Provisions reflect the best possible estimate on the basis of available elements.
Risks for which it is merely possible that a liability will emerge are disclosed in the Notes, without recognising an accrual to a provision for risks and charges.

PROVISIONS FOR PENSION AND SIMILAR BENEFITS

Provisions for pension and similar benefits represent amounts set aside for supplementary pension benefits, other than employee termination indemnities, and one-off indemnities due to employees and independent contractors by law or contract.

PROVISIONS FOR TAXES, INCLUDING DEFERRED

The item refers to liabilities for probable taxes, the amount or date of payment of which is unknown on the basis of assessments or disputes with the tax authorities. The provision for deferred taxes includes deferred income tax liabilities due to temporary differences between statutory profit and taxable profit.

Employee termination indemnities

The provision is determined according to applicable legislation and collective and supplementary company labour contracts. Law No. 296 of 27 December 2006 (the 2007 Financial Law) introduced the rules for employee termination indemnities accrued from 1 January 2007. As a result of the supplementary pension reform:

- employee termination indemnities accrued up to 31 December 2006 remained with the Company;
- employee termination indemnities accrued from 1 January 2007, at the employee's discretion, have been allocated to supplementary pension schemes or kept with the Company, which has transferred the indemnities to the Treasury Fund established by the INPS.

Indemnities accrued from 1 January 2007 continue to be booked to item B9 c) "employee termination indemnities". Item C) "employee termination indemnities" of the balance sheet represents the residual provision carried at 31 December 2006, revalued as appropriate in accordance with the law. Item D13) "social security liabilities" includes the amount accrued at year-end in respect of the share of employee termination indemnities still to be paid to pension fund and social security institutions.

Commitments, guarantees and contingent liabilities

Operating events that, despite not having a quantitative influence on assets and liabilities or profit or loss when recognised, could have effects at a later date are disclosed at the end of the Notes. Such items are recognised at their nominal value or the actual commitment.

Net revenues and costs

Sales of goods and services are recognised on an accrual basis, net of adjusting entries such as returns, discounts, allowances and premiums, as well as taxes directly associated with sale and any changes in estimates.
Sales of products are recognised at the time ownership is transferred, which normally coincides with shipment or delivery.
Service revenues are recognised when the services are completed, or on an ongoing basis to the extent that the services in question have been rendered during the year.
Costs and expenses are recognised on an accrual basis, net of adjusting entries such as returns, discounts, allowances and premiums and any changes in estimates.

Dividends

Dividends are recognised in the year in which the investee resolves on dividend distribution.

Financial income and expense

All financial income and expense associated with the Company's financial operations are recognised on an accrual basis.
Gains and losses on the translation of items in foreign currencies are booked to item C.17-*bis*) "Exchange gains and losses" of the statement of profit or loss.

Income taxes for the year

Income taxes are recognised according to an estimate of taxable income in application of tax laws in force, while taking account of applicable exemptions and tax credits to which the Company is entitled.
The Company participates in the national tax consolidation programme pursuant to Articles 117 and 129 of the Consolidated Law on Income Taxes (TUIR). The parent company, Finlav S.p.A., acts as consolidating company and calculates a single taxable profit or loss for the group of companies participating in tax consolidation, which thus benefit from the ability to set off taxable profit against tax losses in a single return.
If the Company contributes all of its taxable profit to tax consolidation, it recognises a payable to the parent company equal to the corporate income tax (IRES) to be paid, as determined according to the consolidation contract.

The payable for regional production tax (IRAP) is booked to tax payables, net of any prepayments made during the year.

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying amounts of assets and liabilities according to Italian GAAP and their value for tax purposes. Such assets and liabilities are measured by taking account of the tax rate that the Company is expected to bear in the year in which the differences concerned will contribute to taxable profit or loss, considering the tax rates in effect or already enacted at the reporting date.
Deferred tax assets are recognised for all deductible temporary differences, based on the prudence principle, when there is reasonable certainty of taxable income of no less than the amount of the differences to be offset during the years in which those differences will be reversed.
Deferred tax liabilities are instead recognised on all taxable temporary differences.
Deferred tax liabilities on tax-suspended reserves and provisions are recognised when it is expected that the reserves will be distributed or otherwise used, and the distribution or use of the same will give rise to tax charges.

Transfer pricing

Prices applied in intra-group transactions were determined in accordance with the OECD guidelines — as set forth by the Company also in the National Documentation prepared in accordance with Article 1, paragraph 6, of Legislative Decree No. 471 of 18 December 1997. In detail, mention should be made that on 18 November 2021 the Company signed an Advance Pricing Agreement for the five-year period 2021-2025 with the Italian Revenue Authority concerning the methods and criteria for calculating the fair market value of the assets disposed of to its European subsidiaries (France, the UK, Sweden and Austria). The aforementioned Agreement is the result of the renewal of the previous Advance Pricing Agreement signed on 12 December 2013 for the three years 2013, 2014 and 2015, subsequently further renewed on 19 December 2016 for the five-year period 2016-2020. As part of this renewal process, the transactions regarding the French subsidiary Carte Noire S.a.s. were included.
As part of the second renewal, the German subsidiary Lavazza Deutschland GmbH was excluded from the scope of the agreement in question, as it was already subject to a separate procedure (initiated by application dated 27 November 2014) aimed at entering into a bilateral advance pricing agreement between Italy and Germany.
In addition, on 15 December 2016, an application was filed for a bilateral Advance Pricing Agreement between Italy and the United States to govern the transactions with the U.S. subsidiary Lavazza Premium Coffees Corp. In this regard, it should be noted that the competent tax authorities met to reach a prior agreement for the definition of transfer prices between Italy and the USA for the five-year period 2016-2020. This agreement was formalised and signed with the US tax authorities in December 2019.
This bilateral agreement is currently being renewed for the next five-year period 2021-2025.

Currency conversion criteria

Transactions in currencies other than the Euro are recognised at the spot exchange rate.
Assets and liabilities in currencies other than the Euro, except non-monetary assets and liabilities (i.e., inventories, tangible and intangible assets, as well as investments and non-current securities), are analytically adjusted to the exchange rate at year-end, directly recognised through profit or loss. Any net gains arising from the year-end exchange rate adjustment for items in foreign currency contribute to the formation of the net result for the year and, upon approval of the financial statements and proposal for the allocation of the result, are recognised in a restricted reserve until the profit is realised.

Derivatives

In the course of its business, the Company is exposed to the following market risks:

- interest rate risk: this risk is tied to the variability of interest rates payable on floating-rate financing and lease contracts, driven by the fluctuation of market interest rates (Euribor);
- exchange risk: this risk is tied to the variability of revenue and costs denominated in foreign currencies, driven by the fluctuation of the exchange rates between the Euro and the respective foreign currencies; at present, the main exposure to foreign-exchange risk relates to the risk tied to purchases of green coffee denominated in U.S. dollars (USD);
- price risk: the risk associated with the variability of the cost of purchasing green coffee, driven by the performance of market coffee prices quoted on the major international markets.

In this framework, the Company regularly enters into derivatives (interest-rate swaps, FX forwards, FX options, commodity futures, commodity forwards and swaps, and commodity options) with the aim of mitigating its exposure to the risks described, in accordance with the established risk management objectives and strategies, formally defined in the Group's policies and procedures.
Within the framework of Italian GAAP (OIC), the accounting treatment of derivatives is subject to OIC 32 – Derivatives, which contains specific provisions that govern the representation in the financial statements of transactions entered into for hedging purposes (i.e., hedge accounting).
In accordance with OIC 32, the general rule that applies to the accounting treatment of derivatives calls for representation in the balance sheet at fair value, with changes in value recognised periodically in the statement of profit or loss.
If the derivatives have been entered into for hedging purposes and certain formal and substantive requirements have been met (the hedging relationship is documented and the efficacy of the hedge has been periodically proved), hedge accounting may be applied. In essence, the purpose of hedge accounting is to align the timing and approach to recognising the economic effects of hedging derivatives with those of the underlying hedged transactions.
Interest-rate risk management currently involves the use of interest-rate swap (IRS) contracts, whereby the interest rates on the underlying liabilities (loans or leases) are transformed from floating to fixed.
Derivatives contracted to hedge against interest-rate risk pursue the objective of fixing the expected value of the future interest flows generated by the underlying liabilities. Accordingly, for the purposes of OIC 32, they qualify for cash flow hedge accounting treatment.

The hedging relationship is formally designated when the hedging instrument is contracted and is maintained until the maturity of the contract, unless the hedge is renegotiated or unwound in advance.

A hedging instrument is designated for accounting purposes for its full fair value. Consequently, the full fair value of such instruments is considered when determining the effective portion of the hedge to be recognised in equity, according to cash flow hedging rules.

Foreign-exchange risk is managed in the case of both the primary source of exposure, i.e., purchases of green coffee denominated in U.S. dollars, and sales in foreign currencies on various international markets (directly to customers/distributors or indirectly through trading companies).
The Company avails itself of the following types of derivatives to mitigate this risk: FX forwards, FX options and option structures.
Price risk is managed in the case of the exposure resulting from the purchases of green coffee, the price of which is fixed with commodity suppliers on the basis of market quotations for coffee futures contracts on the major international exchanges.
Raw material purchasing costs are therefore exposed to the risk of fluctuation of prices on the futures market of reference until the date of the fixing of the benchmark price with the supplier, when all components of the purchase price become known and no longer subject to modification.
The Company avails itself of the following types of derivatives to mitigate this risk: commodity futures, commodity forwards and swaps, commodity options and option structures.
In the tables on derivatives reported in this document, notional values are expressed in Euro at the date contracts on such instruments were entered into.

Balance Sheet - Assets

Fixed assets

Intangible fixed assets

The following tables report changes in intangible assets:

	BALANCE AT 01.01.2021	MERGER	INCREASES	RECLASSIFICATION	(DECREASES)	BALANCE AT 31.12.2021
Development costs						
Gross value	13,734,966	-	-	3,171,262	-	16,906,228
Write-ups	-	-	-	-	-	-
(Write-down provision)	(170,776)	-	-	-	-	(170,776)
(Accumulated amortisation)	(9,262,542)	-	(1,798,965)	-	-	(11,061,507)
Net value	**4,301,648**	**-**	**(1,798,965)**	**3,171,262**	**-**	**5,673,945**
Industrial patent and intellectual property rights						
Gross value	1,103,254	1,743,431	37,477	-	-	2,884,162
Write-ups	-	-	-	-	-	-
(Write-down provision)	-	-	-	-	-	-
(Accumulated amortisation)	(772,136)	(90,182)	(362,360)	-	-	(1,224,678)
Net value	**331,118**	**1,653,249**	**(324,883)**	**-**	**-**	**1,659,484**
Concessions, licenses and similar rights						
Gross value	185,960,310	422,570	459,024	40,409	-	186,882,313
Write-ups	-	-	-	-	-	-
(Write-down provision)	-	-	-	-	-	-
(Accumulated amortisation)	(61,061,814)	(16,456)	(9,122,256)	-	-	(70,200,526)
Net value	**124,898,496**	**406,114**	**(8,663,232)**	**40,409**	**-**	**116,681,787**
Trademarks						
Gross value	154,099,219	8,024	-	-	-	154,107,243
Write-ups	303,949,656	-	-	-	-	303,949,656
(Write-down provision)	(3,623,965)	-	-	-	-	(3,623,965)
(Accumulated amortisation)	(351,956,592)	(2,788)	(7,115,257)	-	-	(359,074,637)
Net value	**102,468,318**	**5,236**	**(7,115,257)**	**-**	**-**	**95,358,297**
Goodwill						
Gross value	371,426,371	823,147	-	-	-	372,249,518
Write-ups	-	-	-	-	-	-
(Write-down provision)	(4,894,056)	-	-	-	-	(4,894,056)
(Accumulated amortisation)	(95,919,773)	-	(17,939,994)	-	-	(113,859,767)
Net value	**270,612,542**	**823,147**	**(17,939,994)**	**-**	**-**	**253,495,695**
Intangible assets in process and advances						
Gross value	8,859,339	-	20,421,693	(21,790,935)	-	7,490,097
(Write-down provision)	-	-	-	-	-	-
Net value	**8,859,339**	**-**	**20,421,693**	**(21,790,935)**	**-**	**7,490,097**
Other intangible assets						
Gross value	62,195,743	-	134,922	18,579,264	-	80,909,929
Write-ups	-	-	-	-	-	-
(Write-down provision)	-	-	-	-	-	-
(Accumulated amortisation)	(27,805,532)	-	(10,216,753)	-	-	(38,022,285)
Net value	**34,390,211**	**-**	**(10,081,831)**	**18,579,264**	**-**	**42,887,644**
Total intangible assets						
Gross value	797,379,202	2,997,172	21,053,116	-	-	821,429,490
Write-ups	303,949,656	-	-	-	-	303,949,656
(Write-down provision)	(8,688,798)	-	-	-	-	(8,688,798)
(Accumulated amortisation)	(546,778,388)	(109,426)	(46,555,584)	-	-	(593,443,398)
Net value	**545,861,672**	**2,887,746**	**(25,502,468)**	**-**	**-**	**523,246,950**

The reclassification of “development costs” amounting to €3,171,262 mainly includes investments made in technological innovation for the development of recyclable and compostable packaging, which began during the previous year and ended in 2021.

The increase in “industrial patent and intellectual property rights”, amounting to €37,477, refers mainly to registration costs and territorial extension of a number of patents previously held by the company Caffemotive S.r.l. which was merged by incorporation during the year.

The increase in “concessions, licenses and similar rights”, amounting to €459,024, and reclassifications amounting to €40,409 are chiefly attributable to licenses for software for long-term use.

The increase in "intangible assets in process and advances" of €20,421,693 mainly refers to advance payments on orders in progress relating to new long-term software and development costs; the reclassification of €21,790,935 is attributable: (i) for €18,435,137 to IT costs relating to the development of software projects for long-term use, (ii) for €3,171,262 to the capitalisation of development costs for technological innovation in the field of machines (for example Telemetry) and (iii) for €184,536 for the extraordinary maintenance of the Business Centre located in Turin.

The increase in "other intangible assets" of €134,922 and reclassifications of €18,579,264 are attributable to the capitalisation of IT costs relating to the internal development of unprotected software projects for long-term use (€18,394,728) and the extraordinary maintenance of the Business Centre located in Turin (€184,536).

During the year, following the merger by incorporation of the subsidiary Caffemotive S.r.l., a net increase from the merger of €2,887,746 was generated, mainly allocated to:

- patents for €1,653,249;
- concessions, licences, and know-how for €406,114;
- goodwill for €823,147;
- trademarks for €5,236.

The following tables shows the useful lives of fixed assets:

	2021
Start-up and expansion costs	5 years
Industrial patent rights	5 years
Rights to use intellectual property	3 years
Licenses and similar rights	5 years
Know-how	20 years (*)
Trademarks	10-20 years (*)
Goodwill	10-20 years (*)
Key money	lease period
Other	3-5-7 years

(*) The useful life of the intangible assets acquired with the Carte Noire business unit has been estimated at 20 years. This assessment is supported by the leading position of the Carte Noire brand in France and the sector of reference, which is stable and does not present particular factors of technological obsolescence.

Tangible assets

Movements in tangible assets and their accumulated depreciation are given in the following tables:

	BALANCE AT 01.01.2021	MERGER	INCREASES	RECLASSIFICATION	(DECREASES)	BALANCE AT 31.12.2021
Land and buildings						
Gross value	111,148,533	-	17,200	824,649	(3,228,746)	108,761,636
Write-ups	40,225,155	-	-	-	(5,004,440)	35,220,715
(Write-down provision)	(8,369,083)	-	(1,606,933)	-	3,124,371	(6,851,645)
(Accumulated depreciation)	(59,214,037)	-	(1,942,709)	-	5,027,160	(56,129,586)
Net value	**83,790,568**	**-**	**(3,532,442)**	**824,649**	**(81,655)**	**81,001,120**
Plant and machinery						
Gross value	562,299,630	855,448	1,125,691	19,265,769	(8,080,461)	575,466,077
Write-ups	108,327,286	-	-	-	(4,524)	108,322,762
(Write-down provision)	(802,444)	-	(538,057)	-	25,065	(1,315,436)
(Accumulated depreciation)	(459,877,947)	(255,517)	(22,987,258)	-	5,769,345	(477,351,377)
Net value	**209,946,525**	**599,931**	**(22,399,624)**	**19,265,769**	**(2,290,575)**	**205,122,026**
Industrial and commercial equipment						
Gross value	185,353,337	-	12,983,667	674,592	(12,756,792)	186,254,804
Write-ups	1,165,417	-	-	-	-	1,165,417
(Write-down provision)	(6,801,717)	-	(655,515)	-	1,316,713	(6,140,519)
(Accumulated depreciation)	(122,589,150)	-	(23,610,419)	-	10,800,215	(135,399,354)
Net value	**57,127,887**	**-**	**(11,282,267)**	**674,592**	**(639,864)**	**45,880,348**
Furniture and fittings						
Gross value	26,429,422	2,185	622,819	125,939	(1,566,048)	25,614,317
Write-ups	-	-	-	-	-	-
(Write-down provision)	(108,566)	-	-	-	91,933	(16,633)
(Accumulated depreciation)	(17,980,464)	(2,185)	(1,461,375)	-	1,474,115	(17,969,909)
Net value	**8,340,392**	**-**	**(838,556)**	**125,939**	**-**	**7,627,775**
Means of transport						
Gross value	879,006	-	-	-	(8,863)	870,143
Write-ups	-	-	-	-	-	-
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(719,450)	-	(17,162)	-	8,863	(727,749)
Net value	**159,556**	**-**	**(17,162)**	**-**	**-**	**142,394**
Electronic machinery						
Gross value	26,185,301	4,682	515,634	16,047	(566,315)	26,155,349
Write-ups	-	-	-	-	-	-
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(22,955,145)	(3,443)	(1,410,064)	-	536,641	(23,832,011)
Net value	**3,230,156**	**1,239**	**(894,430)**	**16,047**	**(29,674)**	**2,323,338**
Tangible assets in process and advances						
Gross value	12,755,981	-	31,248,471	(20,906,996)	-	23,097,456
Write-ups	-	-	-	-	-	-
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	-	-	-	-	-	-
Net value	**12,755,981**	**-**	**31,248,471**	**(20,906,996)**	**-**	**23,097,456**
Total tangible assets						
Gross value	925,051,208	862,315	46,513,482	-	(26,207,225)	946,219,780
Write-ups	149,717,858	-	-	-	(5,008,964)	144,708,894
(Write-down provision)	(16,081,808)	-	(2,800,507)	-	4,558,082	(14,324,233)
(Accumulated depreciation)	(683,336,193)	(261,145)	(51,428,987)	-	23,616,339	(711,409,986)
Net value	**375,351,065**	**601,170**	**(7,716,012)**	**-**	**(3,041,768)**	**365,194,455**

The item "land and buildings" increased mainly due to the completion during the year of a car park at the Gattinara plant, the construction of which had begun in the previous year (€721,627). The net decreases of €81,655 refer to the reclassification under "Assets held for sale" of a building located in Turin for which a preliminary contract of sale was entered into during the year.

The item "plant and machinery" increased: (i) by €1,125,691 as a result of purchases of industrial machinery and (ii) by €19,265,769 due to the entry into operation of a new capsule packaging line and a coffee transport system serving roasting machines.
The net decreases, amounting to €2,290,575, refer to the disposal of obsolete production lines in favour of the new investments previously described.
The net increase from the merger, amounting to €599,931, is attributable to machinery and plant of the merged company Caffemotive S.r.l.

The item "industrial and commercial equipment", which includes coffee machines and moulds held by third-party suppliers for the production of machine components, increased as a result of purchases for the year amounting to €12,983,667, chiefly relating to the installation of Firma machines in the OCS sector and of espresso machines at the cafés within the Food Service sector, in addition to reclassifications amounting to €674,592, primarily attributable to advances for mould purchases.
The net decreases of €639,864 mainly refer to the disposal of "Firma" system espresso machines and capsule machines loaned for the use of customers.

The item "furniture and fittings" increased for purchases during the year amounting to €622,819 and for reclassifications amounting to
€125,939, related to purchases during the year and the closure of advances relating to fixtures and fittings of structures that saw the Company take part as a "Platinum Partner" during the first Nitto ATP tennis Finals, held in November 2021 in Turin.

The €515,634 increase in "electronic machinery" primarily relates to purchases of computers and IT equipment.
The net decrease, amounting to €29,674, relates to the disposal of obsolete equipment.

The increase in "tangible assets in process and advances" of €31,248,471 refers to operating costs for the purchase of plant and equipment and reclassifications of €20,906,996 are attributable: (i) for €19,265,769 to the construction of new production lines and industrial plant and (ii) for €1,641,227 to the purchase of new moulds and industrial equipment and special adaptations of industrial plant, including the construction of the car park described above.
During the year, depreciation totalled €2,800,507, mainly referring to the write-down of the Company's industrial buildings, machinery and equipment.
The Directors' Single Report on Operations provides detailed information on investments made during the year.

The following tables shows the useful lives of fixed assets:

	2021
Buildings	60 years
Civil buildings	80 years
Light buildings	15 years
Canteen equipment and espresso machines	4 years
Generic and café equipment	2 years and 6 months
Specific furnishings	10 years
Generic furnishings	8 years 4 months
Generic plant and machinery	20/25 years
Specific plant	8 years and 4 months
High-tech plant and machinery	10/15 years
Electronic office equipment	5 years
Espresso machines for the Ho.Re.Ca. sector	4 years
FOL close system machines	5/6 years
Moulds	3/5/7 years
Iron silos	25 years
Trucks	12 years
Motor cars	8 years

Pursuant to Article 10 of Law No. 72 of 19 March 1983, the following is a statement of the write-ups applied to assets still carried at 31 December 2021:

	Re. Law 576/75	Re. Law 72/83	Re. Law 408/90	Re. Law 413/91	Re. Law 342/00	Re. Law 350/03	Re. Law 266/05	Re. Law 185/08	Re. Law 104/20	TOTAL
Buildings	28,034	68,682	-	2,519,706	-	-	-	32,604,293	-	35,220,715
Plant and machinery	23,451	296,679	-	-	31,464,847	9,677,523	-	-	66,860,262	108,322,762
Moulds	-	-	-	-	187,476	977,941	-	-	-	1,165,417
Motor vehicles	-	-	-	-	-	-	-	-	-	-
Lavazza trademark	-	-	46,481,121	-	77,468,535	100,000,000	80,000,000	-	-	303,949,656
Total	**51,485**	**365,361**	**46,481,121**	**2,519,706**	**109,120,858**	**110,655,464**	**80,000,000**	**32,604,293**	**66,860,262**	**448,658,550**

The Company is located in the property complex that houses the Group's headquarters, named "Nuvola Lavazza", as well as the Lavazza Museum, the Historical Archive, the convention centre "La Centrale", the Piazza, the underground parking lot and the IAAD (Institute of Applied Art and Design), under a finance lease, which transfers most of the risks and rewards associated with the properties in question.

The effect on the balance sheet and profit for the year of the adoption of the finance lease method to account for leased property is illustrated below:

	AMOUNT
ASSETS	
a) Agreements in force:	
Assets under finance lease at the end of the previous year	105,139,886
+ Goods acquired under finance leases during the year	-
- Assets under finance lease redeemed during the year	-
- Depreciation charges accrued during the year	(3,510,415)
+/– Value adjustments/reversals on assets under finance leases	-
Assets under finance lease at the end of the year, net of depreciation	101,629,471
b) Redeemed assets	
Total greater value of redeemed assets	-
c) Liabilities	
Constructive payables for finance lease transactions at the end of the previous year	75,943,797
+ Constructive payables arisen during the year	-
- Repayment of portions of principal and redemptions made during the year	(4,368,330)
Constructive payables for finance lease transactions at the end of the year	71,575,467
d) Reversal of prepayments associated with finance leases	**18,860,927**
e) Reversal of payables for rent yet to be paid	**-**
f) Total gross effect at the end of the year (a + b - c - d - e)	**11,193,076**
g) Tax effect	**(3,122,868)**
h) Effect on equity at the end of the year (f - g)	**8,070,208**
Effect on the statement of profit or loss	-
Reversal of rent on finance leases	5,837,619
Recognition of financial expense on finance leases	(1,878,933)
Recognition of:	
- Depreciation charges:	
· on contracts in force	(3,510,415)
· on redeemed goods	-
- Value adjustments/reversals on assets under finance lease	-
Effect on pre-tax result	448,271
Recognition of the tax effect	(125,068)
Effect on profit or loss of recognition of finance leases	**323,204**

Financial assets

INVESTMENTS

Investments at 31 December 2021 were broken down as follows:

COMPANY NAME	HISTORIC COST	PRIOR YEARS' WRITE-DOWNS	VALUE AT 01.01.2021	INCREASES	MERGER	DECREASES	WRITE-DOWNS FOR THE YEAR	VALUE AT 31.12.2021
Subsidiaries								
Lavazza Australia Pty Ltd	4,804,617	-	4,804,617	-	-	-	-	4,804,617
Lavazza Argentina S.A.	7,179,991	(7,179,991)	-	-	-	-	-	-
Lavazza Capital S.r.l.	476,400,000	-	476,400,000	-	-	-	-	476,400,000
Lavazza Coffee (UK) Ltd	14,843	-	14,843	-	-	-	-	14,843
Lavazza Deutschland G.m.b.H.	153,227	-	153,227	-	-	-	-	153,227
Lavazza do Brasil Ltda	28,045,098	(28,045,098)	-	-	-	-	-	-
Lavazza France S.a.s.	27,939,862	-	27,939,862	-	-	-	-	27,939,862
Lavazza Kaffee G.m.b.H.	163,854	-	163,854	-	-	-	-	163,854
Lavazza Maroc S.a.r.l.	904	-	904	-	-	-	-	904
Lavazza Netherlands B.V.	132,000,000	(108,376,989)	23,623,011	-	-	-	(2,731,408)	20,891,603
Lavazza Japan GK	-	-	-	343,495	-	-	-	343,495
Lavazza Premium Coffees Corp.	1,164,635	-	1,164,635	-	-	-	-	1,164,635
Lavazza Professional Holding EU S.r.l.	75,500,000	-	75,500,000	19,000,000	-	-	-	94,500,000
Lavazza Professional Holding NA Inc.	345,111,011	-	345,111,011	56,239,550	-	-	-	401,350,561
Lavazza Spain S.L.	13,079,422	(12,531,699)	547,723	-	-	-	-	547,723
Lavazza Sweden AB	1,855,000	-	1,855,000	-	-	-	-	1,855,000
Lavazza Trading (Shenzhen) Co. Ltd	1,000,000	-	1,000,000	-	-	-	-	1,000,000
Caffemotive S.r.l.	2,366,356	-	2,366,356	25,172	(2,391,528)	-	-	-
Cofincaf S.p.A.	3,063,719	-	3,063,719	-	-	-	-	3,063,719
Merrild Kaffe ApS	12,119,140	-	12,119,140	-	-	-	-	12,119,140
Carte Noire S.a.s.	104,444,203	-	104,444,203	-	-	-	-	104,444,203
Kicking Horse Coffee Co. Ltd	116,061,395	-	116,061,395	-	-	-	-	116,061,395
Nims S.p.A.	63,066,869	-	63,066,869	19,146	-	-	-	63,086,015
Total subsidiaries	**1,415,534,146**	**(156,133,777)**	**1,259,400,369**	**75,627,363**	**(2,391,528)**	**-**	**(2,731,408)**	**1,329,904,796**
Associates								
Y&L Coffee Ltd	6,237,747	-	6,237,747	30,271,580	-	-	-	36,509,327
International Coffee Partners G.m.b.H.	25,000	-	25,000	-	-	-	-	25,000
Total associates	**6,262,747**	**-**	**6,262,747**	**30,271,580**	**-**	**-**	**-**	**36,534,327**
Other companies								
Casa del Commercio e Turismo S.p.A.	6,094	-	6,094	-	-	-	-	6,094
Connect Ventures One LP	6	-	6	-	-	-	-	6
Consorzio Nazionale Imballaggi	-	-	-	5	-	-	-	5
INV A.G. Srl	20,000,000	(12,712,342)	7,287,658	-	-	-	-	7,287,658
ZKB ZADRUZNA KRASKA BANKA TRST	-	-	-	153	-	-	-	153
Total other companies	**20,006,100**	**(12,712,342)**	**7,293,758**	**158**	**-**	**-**	**-**	**7,293,916**
Total investments	**1,441,802,993**	**(168,846,119)**	**1,272,956,874**	**105,899,101**	**(2,391,528)**	**-**	**(2,731,408)**	**1,373,733,039**

With reference to operating investments, the strategic focus has generally been confirmed with a view to bringing a greater consistency between the business model adopted and the geographical area involved, differentiating the approach according to actual local situations and business segments.

Increases for the year following the capitalisation of subsidiaries refer to:

1. Lavazza Professional Holding Europe S.r.l. in the amount of €19,000,000;

2. Lavazza Professional Holding North America Inc. in the amount of €56,239,550; this increase is partly due to the waiver of a previously disbursed portion of USD 55 million equal to approximately €45.8 million and in part to new liquidity injections of USD 12.5 million equal to approximately €10.4 million. Both injections of liquidity arose from the need of the two holding companies to financially support the subsidiaries in their respective markets throughout the OCS/Vending sector's crisis, which generated a drop in the Away From Home channel's consumption during the Covid-19 pandemic;

3. Lavazza Japan GK in the amount of €343,495; this company was acquired in the year by Lavazza Professional Holding North America Inc., as part of a reorganisation of the Group's structure;

4. Caffemotive S.r.l., in the amount of €25,172, relating to an injection of liquidity made before its merger by incorporation during the year;

5. Nims S.p.A., in the amount of €19,146, due to the purchase of certain shares held by minority shareholders as envisaged at the time of the original acquisition in 2017;

6. Y&L Coffee Ltd in the amount of €30,271,580. This company, in which a 35% interest is held, is the vehicle through which Yum China Holdings and the Lavazza Group entered into a joint venture in 2020 aimed at developing the Lavazza Coffee Shop concept in China. Since then, Lavazza has opened over 20 stores in China in Shanghai, Hangzhou, Beijing and Guangzhou.

The increases for the year relating to other companies (for a total of €158) arose as part of the merger by incorporation of the company Caffemotive S.r.l.
The decreases for the year due to write-downs are entirely attributable to Lavazza Netherlands B.V., (€2,731,408) mainly attributable to the write-down of the investee Fresh & Honest Café Ltd both due to the loss for the year at 31 December 2021 considered to be permanent and a partial exchange rate adjustment for the investee's assets affected by the durable, negative trend in the Indian Rupee/Euro exchange rate.
The decrease for the year, amounting to €2,391,528, relates to the end of Caffemotive S.r.l. following its merger by incorporation.

The following table provides data on the main subsidiaries and associates:

COMPANY NAME	REGISTERED OFFICE	SHARE CAPITAL	EQUITY	PROFIT (LOSS) FOR THE YEAR	% HELD	CARRYING VALUE
Subsidiaries						
Lavazza Argentina S.A.	Buenos Aires	339,940	25,333	(307,136)	97.54	-
Lavazza Australia Pty Ltd *	Hawthorn	4,681,780	5,986,525	775,910	100.00	4,804,617
Lavazza Capital S.r.l.	Turin	200,000	486,231,436	2,308,537	100.00	476,400,000
Lavazza Coffee (UK) Ltd	Uxbridge	1,190	6,018,317	2,911,519	100.00	14,843
Lavazza Deutschland G.m.b.H.	Frankfurt	210,000	10,014,446	7,086,025	100.00	153,227
Lavazza do Brasil Ltda	Rio de Janeiro	12,218,151	(682,478)	(280,547)	99.53	-
Lavazza France S.a.s.	Boulogne	21,445,313	29,058,125	2,174,581	100.00	27,939,862
Lavazza Kaffee G.m.b.H.	Vienna	218,019	1,524,903	525,205	100.00	163,854
Lavazza Maroc S.a.r.l.	Casablanca	952	95,347	9,698	100.00	904
Lavazza Netherlands B.V.	Amsterdam	111,500,000	20,891,607	(2,731,406)	100.00	20,891,603
Lavazza Premium Coffees Corp.	New York	34,301,048	28,171,892	3,599,466	93.00	1,164,635
Lavazza Professional Holding EU S.r.l.	Turin	1,000,000	94,752,525	2,029,298	100.00	94,500,000
Lavazza Professional Holding NA Inc.*	West Chester, PA	1	393,594,767	(4,196,339)	100.00	401,350,561
Lavazza Japan GK	Tokyo	8	(166,037)	(754,189)	100.00	343,495
Lavazza Spagna S.L.	Barcelona	1,090,620	728,949	11,035	100.00	547,723
Lavazza Sweden AB	Stockholm	9,756	2,593,384	324,068	100.00	1,855,000
Lavazza Trading (Shenzhen) Co. Ltd	Shenzhen	1,139,936	1,205,542	(2,807)	100.00	1,000,000
Carte Noire S.a.s.	Boulogne	103,830,406	118,251,756	9,911,472	100.00	104,444,203
Cofincaf S.p.A.	Turin	3,000,000	12,823,552	164,362	99.00	3,063,719
Kicking Horse Coffee Co. Ltd	Invermere	149,374,142	187,811,897	6,961,684	80.00	116,061,395
Merrild Kaffe ApS	Middelfart	6,724	11,192,566	221,103	100.00	12,119,140
Nims S.p.A.	Padua	3,000,000	47,388,427	4,892,274	97.40	63,086,015
Y&L Coffee Ltd	Hong Kong	105,950,909	87,461,425	(16,378,766)	35.00	36,509,327

(*) These figures refer to the Consolidated Financial Statements of the Company and its subsidiaries.

The values referring to the investments in companies that prepare their financial statements in foreign currencies are stated in Euro, converted at the exchange rate at 31 December 2021.
With the exception of Lavazza Netherlands B.V. any further negative differences between the carrying amounts of investments in subsidiaries and the proportional share of equity are not deemed to represent impairment losses.

In order to provide complete information, the table below reports a list of the main indirectly controlled companies:

COMPANY NAME	REGISTERED OFFICE	SHARE CAPITAL	EQUITY	PROFIT (LOSS) FOR THE PREVIOUS YEAR	THROUGH	CARRYING VALUE	% HELD
Carte Noire Operations S.a.s.	Lavérune	28,523,820	56,342,515	1,038,100	Carte Noire S.a.s.	56,212,128	100
Fresh & Honest Café Ltd *	Chennai	1,084,006	17,043,222	(1,284,171)	Lavazza Netherlands B.V.	20,215,019	99.99
Merrild Baltics SIA	Riga	2,828	2,409,723	760,067	Merrild Kaffe ApS	2,410,172	100
Lavazza Professional France S.a.s.	Roissy CDG	279,706	(6,604,447)	(3,859,597)	LPH EU	2,694,173	100
Lavazza Professional Germany G.m.b.H.	Verden	50,000	(545,151)	(7,432,417)	LPH EU	75,480,570	100
Lavazza Professional (UK) Ltd	Basingstoke	40,562,671	1,073,808	(8,945,828)	LPH EU	36,622,368	100

(*) These figures refer to the Financial Statements for the year ended at 31 March 2020.

Receivables

They consist of:

	31.12.2021	31.12.2020	CHANGES
Receivables from subsidiaries	120,553,359	161,541,089	(40,987,730)
Other receivables	757,169	788,668	(31,499)
Total	**121,310,528**	**162,329,757**	**(41,019,229)**

Receivables from subsidiaries include:

- the long-term financial receivable from Lavazza Australia Pty Ltd for the AUD 3,570,431 (€2,286,539) residual amount of the loan granted in 2015 and renewed in 2020, with automatic annual renewal mechanism and bearing interest at a fixed rate of 1.63% per annum;
- the long-term financial receivable from Lavazza Australia OCS Pty Ltd for the AUD 13,000,000 (€8,325,329) residual amount of the loan granted in 2018, with automatic annual renewal mechanism and bearing interest at a fixed rate of 5.45% per annum;
- the long-term financial receivable from Lavazza Professional Holding Europe S.r.l. for the €39,343,812 residual amount of the loan granted in 2018, bearing interest at a floating rate benchmarked on the twelve-month Euribor;
- the long-term financial receivable from Lavazza Professional Holding North America Inc. for the remaining amount of USD 76,156,074, (equal to €66,667,743) granted in 2018, regulated at an interest rate in line with the applicable federal rates, published by the IRS (Internal Revenue Services) in the US, as required by the Internal Revenue Code – Section 482; during the year, the company waived a part of this receivable of USD 55,000,000, as a capital increase, increasing the value of the investment by the same amount;
- the long-term financial receivable from Lavazza Japan, for the amount of YPY 437,768,549, (equal to €3,300,924) which during the year was transferred to the Company by the previous parent Company Lavazza Professional Holding North America Inc., regulated at a variable interest rate linked to the twelve-month Libor index.

The long-term financial receivable from Caffemotive S.r.l. granted in the previous year amounting to €470,304 has been extinguished in the current year, following the company's merger by incorporation.

The item "other receivables" consists of financial receivables from Connect Ventures One LP (€757,169), a company that invests in European Web business start-ups, and security deposits (€504,458).

Non-current derivative assets

The Company is exposed to fluctuations in foreign exchange rates, in particular with regard to the purchase of green coffee denominated in USD and sales in countries with currencies other than the Euro.
In order to reduce the impact of changes in exchange rates on expected cash flows, in accordance with its risk management policy the Company uses derivatives solely for hedging purposes.
The item includes the positive fair value of outstanding derivatives at 31 December 2021 with a duration in excess of 12 months, contracted in order to hedge against foreign exchange, commodity and interest rate risks.

Non-current derivative assets

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
EUR 1,190,080	Exchange rate risk	227	Sales
EUR 300,000,000	Interest rate risk	2,162,713	Loan
Total		**2,162,940**	

The following table shows movements for the year:

	31.12.2021	31.12.2020	CHANGES
Derivatives to hedge exchange-rate risk	227	4,855,913	(4,855,686)
Derivatives to hedge commodity risk	-	22,972	(22,972)
Derivatives to hedge interest-rate risk	2,162,713	-	2,162,713
Total	**2,162,940**	**4,878,885**	**(2,715,945)**

Information on fair value (Article 2427-*bis*, paragraph 1, No. 2)

The following statement compares the carrying amounts and fair value of long-term financial assets other than investments in subsidiaries and associates.

NON-CURRENT FINANCIAL ASSETS	CARRYING VALUE	FAIR VALUE
Investments in other companies:		
INV A.G. Srl	7,287,658	13,048,559
Other	6,258	6,258
Total investments in other companies	**7,293,916**	**13,054,817**
Other receivables:		
Financial receivables from subsidiaries	120,553,359	120,553,359
Guarantee deposits	252,711	252,711
Receivables from Connect Ventures One LP	504,458	1,884,231
Total other receivables	**121,310,528**	**122,690,301**

Current Assets

Inventories

	31.12.2021	31.12.2020	CHANGES
Raw materials, ancillaries and consumables	219,141,827	194,304,030	24,837,797
Accumulated depreciation of raw materials, ancillaries and consumables	(3,821,496)	(2,721,754)	(1,099,742)
Raw materials, ancillaries and consumables (net value)	**215,320,331**	**191,582,276**	**23,738,055**
Work-in-process and semi-finished goods	3,089,822	2,219,729	870,093
Accumulated depreciation for work-in-process and semi-finished goods	(1,000,000)	(1,200,000)	200,000
Work-in-process and semi-finished goods (net value)	**2,089,822**	**1,019,729**	**1,070,093**
Finished products and goods	110,708,350	113,027,102	(2,318,752)
Accumulated depreciation of finished products and goods	(16,128,640)	(15,801,760)	(326,880)
Finished products and goods (net value)	**94,579,710**	**97,225,342**	**(2,645,632)**
Total	**311,989,863**	**289,827,347**	**22,162,516**
Advance payments	**816,319**	**876,015**	**(59,696)**
Overall total	**312,806,182**	**290,703,362**	**22,102,820**

The value of inventories amounted to €312,806,182 at 31 December 2021. The increase in the year of €22,102,820 is mainly attributable to the green coffee component, significantly impacted by the increase in market prices recorded during 2021.

At 31 December 2021, inventories were recognised net of an inventory write-down provision totalling €20,950,136 million set aside for obsolete and slow-moving materials, with particular reference to coffee machines and related spare parts, advertising material, plant spares and packaging. During 2021, inventories totalling €5,142,865 were scrapped and disposed of. It should be noted that the provision for product warranty (€2,100,000) has been shown under liabilities and this amount has also been reclassified in the results of the comparative year for clarity and completeness of presentation.

Receivables

The following tables show movements of receivables and their adjustments during the year and the balance at 31 December 2021:

	ORIGINAL COST 31.12.2020	INCREASES (DECREASES)	ORIGINAL COST 31.12.2021	ACCUMULATED DEPRECIATION AT 31.21.2020	PROVISIONS	USES	ACCUMULATED DEPRECIATION AT 31.21.2021	EXPECTED REALISABLE VALUE AT 31.12.2021
Trade receivables	108,429,412	13,224,315	121,653,727	6,378,942	1,310,393	(1,108,133)	6,581,202	115,072,525
Receivables from subsidiaries	253,896,380	26,231,922	280,128,302	-	-	-	-	280,128,302
Receivables from associates	-	284,477	284,477	-	-	-	-	284,477
Receivables from related parties	16,509	577,572	594,081	-	-	-	-	594,081
Receivables from parent companies	-	27,500	27,500	-	-	-	-	27,500
Tax receivables	8,975,163	7,067,772	16,042,935	-	-	-	-	16,042,935
Deferred tax assets	41,453,828	2,427,624	43,881,452	-	-	-	-	43,881,452
Other receivables	8,983,764	(1,838,362)	7,145,402	-	-	-	-	7,145,402
Total	**421,755,056**	**48,002,820**	**469,757,876**	**6,378,942**	**1,310,393**	**(1,108,133)**	**6,581,202**	**463,176,674**

All receivables at 31 December 2021 are due within the next financial year.

An adjustment provision totalling €6,581,202 was made at the end of the year to adjust the nominal value of trade receivables, which approximates their amortised cost, to their expected realisable value.

The following table shows receivables included in current assets, broken down by geographic area:

	ITALY	EU COUNTRIES	OTHER EUROPEAN COUNTRIES	AMERICAS	AUSTRALIA	OTHER COUNTRIES	TOTAL
Trade receivables	65,464,902	31,487,445	12,163,216	862,455	-	5,094,507	115,072,525
Receivables from subsidiaries	8,259,220	176,533,870	31,760,091	56,320,420	6,630,119	624,582	280,128,302
Receivables from associates parties	-	-	-	-	-	284,477	284,477
Receivables from parent companies	594,081	-	-	-	-	-	594,081
Receivables from related parties	27,500	-	-	-	-	-	27,500
Tax receivables	13,553,766	2,488,996	-	-	173	-	16,042,935
Deferred tax assets	43,881,452	-	-	-	-	-	43,881,452
Other receivables	3,717,032	309,444	123,632	2,573,054	-	422,240	7,145,402
Total	**135,497,953**	**210,819,755**	**44,046,939**	**59,755,929**	**6,630,292**	**6,425,806**	**463,176,674**

Receivables from subsidiaries and associates refer to the following companies:

	31.12.2021	31.12.2020	CHANGES
Trade receivables:			
Direct subsidiaries			
Lavazza Argentina S.A.	283,751	688,116	(404,365)
Lavazza Australia Pty Ltd	5,996,494	11,494,547	(5,498,053)
Lavazza Coffee (UK) Ltd	27,453,501	24,677,672	2,775,829
Lavazza Deutschland G.m.b.H.	64,362,764	58,117,946	6,244,818
Lavazza do Brasil Ltda	1,070,751	1,435,819	(365,068)
Lavazza France S.a.s.	9,802,995	-	9,802,995
Lavazza Japan GK	445,591	30,980	414,611
Lavazza Kaffee G.m.b.H.	5,800,545	3,773,000	2,027,545
Lavazza Maroc S.a.r.l.	3,867	3,867	-
Lavazza Netherlands B.V.	-	13,758	(13,758)
Lavazza Premium Coffees Corp.	43,621,486	22,807,852	20,813,634
Lavazza Spain S.L.	8,473	30,552	(22,079)
Lavazza Sweden AB	3,687,343	2,143,735	1,543,608
Carte Noire S.a.s.	84,646,416	100,814,664	(16,168,248)
Cofincaf S.p.A.	88,918	85,165	3,753
Kicking Horse Coffee Co. Ltd	483,744	424,129	59,615
Merrild Kaffe ApS	4,631,723	4,800,162	(168,439)
Nims S.p.A.	7,931,659	8,295,110	(363,451)
Associates			
Yi Bai Coffee Co. Ltd	284,477	-	284,477
Controlled by the same parent company			
Lavazza Eventi S.r.l.	157,482	-	157,482
Lea S.r.l.	45,975	338	45,637
Indirect subsidiaries			
Lavazza Professional France S.a.s.	468,733	59,559	409,174
Lavazza Professional Germany G.m.b.H.	2,905,918	324,869	2,581,049
Lavazza Professional NA LLC	2,965,603	633,247	2,332,356
Lavazza Professional (UK) Ltd	2,868,234	410,052	2,458,182
Lavazza Professional (UK) Operating Services Ltd	44,983	183,300	(138,317)
Carte Noire Operations S.a.s.	217,021	101,080	115,941
Fresh & Honest Café Ltd	173,804	508,498	(334,694)
Total trade receivables	**270,452,251**	**241,858,017**	**28,594,234**
Financial receivables:			
Subsidiaries			
Lavazza Australia OCS Pty Ltd	613,652	201,665	411,987
Lavazza Australia Pty Ltd	19,973	53,195	(33,222)
Lavazza France S.a.s.	-	4,000,000	(4,000,000)
Lavazza Japan GK	1,321	-	1,321
Lavazza Professional France S.a.s.	1,940	2,907,810	(2,905,870)
Lavazza Professional Holding EU S.r.l.	-	594,566	(594,566)
Lavazza Professional Holding NA Inc.	7,895,084	4,226,403	3,668,681
Lavazza Professional (UK) Ltd	1,393,373	-	1,393,373
Caffemotive S.r.l.	-	360	(360)
Cofincaf S.p.A.	238,642	54,702	183,940
Controlled by the same parent company			
Lea S.r.l.	390,624	16,171	374,453
Total financial receivables	**10,554,609**	**12,054,872**	**(1,500,263)**
Total receivables from subsidiaries	**281,006,860**	**253,912,889**	**27,093,971**

In order to optimise the Group's treasury management, Luigi Lavazza S.p.A. continued to implement its cash-pooling system including the companies based in the USA and in Spain.
Receivables of a financial nature from subsidiaries refer to the portion of the interest accrued at 31 December 2021 on loans issued to subsidiaries and carried partly among financial assets and partly among the positive balances of the current accounts of centralised treasury.

Tax receivables of €16,042,935 may be broken down as follows:

- VAT receivables of €8,006,487 from Italian and foreign revenue authorities in connection with direct identification for VAT purposes in the countries concerned;
- €3,163,794 for credit for investments in capital goods 4.0 2021 L 178/2020;
- €1,775,391 for credit for investments in ordinary capital goods 2020 L 160/2019;
- €1,608,685 for Research and Development, IT and IT Green 2021 credit L160/2019 as amended by L 178/2020;
- €932,043 for Research and Development credit 2020 L 160/2019;
- €356,417 for Art bonus;
- €200,000 advertising bonus 2020;
- €118 for other credits.

Deferred tax assets are allocated in relation to negative income components, which are deducted after they accrue. Changes, final balance and description are set out in the relevant table in the Notes on "taxes for the year".

The item "other receivables" amounted to €7,145,402 and refers primarily to advances to suppliers of €3,336,258 and a term deposit for the trading of listed hedging derivative instruments of €2,344,323.

Current financial assets

Derivative assets

The item includes the positive fair value of outstanding derivatives at the reporting date with a duration of less than 12 months, contracted in order to hedge against foreign exchange, commodity and interest rate risks.
The following table provides a detailed description:

Derivative assets

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
EUR 302,929,632	Exchange rate risk	15,891,403	Sales/Purchases of green coffee
EUR 2,516,343	Commodity risk	188,089	Purchases of green coffee
Total		**16,079,492**	

The following table shows movements for the year:

	31.12.2021	31.12.2020	CHANGES
Derivatives to hedge exchange-rate risk	15,891,403	905,910	14,985,493
Derivatives to hedge commodity risk	188,089	14,391,309	(14,203,220)
Total	**16,079,492**	**15,297,219**	**782,273**

Cash and cash equivalents

This item consists of cash at bank and post-office accounts, as well as cash in hand and cheques held by logistic hubs, outside contractors and sales areas.

The following table provides a detailed description:

	31.12.2021	31.12.2020	CHANGES
Bank accounts	429,642,699	152,854,481	276,788,218
Post office accounts	3,980,313	528,823	3,451,490
Foreign currency accounts	49,533,133	25,777,722	23,755,411
Cash and valuables on hand	175,156	144,347	30,809
Total	**483,331,301**	**179,305,373**	**304,025,928**

For the analysis of the main cash flows that generated a €304 million increase in this item compared to the previous year, reference should be made to the Statement of Cash Flows.
Foreign currency accounts consist of USD 51,313,710 and are primarily funded by market purchases, collections of receivables from the U.S. subsidiary Lavazza Premium Coffees Corp. and collections of receivables from foreign customers, in addition to cash flows arising from the cash-pooling arrangements between Luigi Lavazza S.p.A. and the subsidiaries Lavazza Premium Coffees Corp. and Lavazza Professional North America.

The currency accounts also consist of cash balances of £13,571,733 fed by the flows deriving from the cash pooling relationships between Luigi Lavazza S.p.A. and its UK subsidiaries (Lavazza Coffee UK Ltd, Lavazza Professional UK Ltd, Lavazza Professional Operating Services Limited) and any receivables collected from these same subsidiaries.

Prepayments and accrued income

The item consists of the following:

	31.12.2021	31.12.2020	CHANGES
Prepayments:			
of lease contracts	18,860,927	20,459,573	(1,598,646)
of advertising expenses	4,608,700	5,379,309	(770,609)
of software leases	2,432,964	1,359,532	1,073,432
Co_2 neutrality	1,340,031	-	1,340,031
of derivatives	900,824	227,565	673,259
of maintenance contracts	561,188	801,390	(240,202)
of insurance premiums	243,347	342,353	(99,006)
Other	969,750	149,254	820,496
Total prepayments	**29,917,731**	**28,718,976**	**1,198,755**
Total prepayments and accrued income	**29,917,731**	**28,718,976**	**1,198,755**

The item "lease contracts" under "prepayments" refers to the residual share of the upfront payment made upon entering into the finance lease arrangement for the real-estate complex divided into various lots, which are to house office and commercial buildings, the museum and parking areas, in addition to the Company's Headquarters. This finance lease is taken to the statement of profit or loss on an accrual basis over the 18-year term of the lease.
The breakdown of instalments is as follows: €1,445,230 within one year, €7,226,147 between 1 and 5 years and €10,189,550 beyond 5 years.

The item "advertising expenses" under "prepayments" refers primarily to the portion not accrued during the year of advance payments made to customers in the Food Service sector for the sponsorship of Lavazza products in the points of sale. Such costs will be recognised in the statement of profit or loss on a pro-rated basis over the duration of the contract.

The item "CO_2 neutrality" refers to the costs of purchasing green certificates that will be used in subsequent years to offset not only the annual emissions of direct greenhouse gases of the Company's offices and plants but also those relating to the volumes produced and placed on the market.

The item "derivatives" under "prepayments" refers to the negative change reported by forward points (the difference between the spot rate/price on the date of execution of the contract and the relevant contractual forward rate/price) and the time value of derivative contracts hedging against foreign exchange and commodity risks in place at 31 December 2021.
The amounts in question will be fully charged through profit or loss when the hedged costs are recognised.

Negative change in time value of derivatives

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	CHANGE IN TIME VALUE	HEDGED ASSET / LIABILITY
EUR 35,468,476	Exchange rate risk	62,680	Sales
EUR 2,913,865	Exchange rate risk	14,690	Sales
EUR 3,881,892	Commodity risk	250,515	Purchases of green coffee
Total		**327,885**	

Prepayments on negative change in time value of derivatives

	31.12.2021	31.12.2020	CHANGES
Forward points based on spot exchange rate	62,680	13,059	49,621
Time value of options on exchange rates	14,690	152,782	(138,092)
Time value of options on commodities	250,515	61,724	188,791
Total	**327,885**	**227,565**	**100,320**

Property, plant and equipment held for sale

In accordance with the accounting standard OIC 16 and pursuant to Article 2423-*ter*, paragraph 3, of the Italian Civil Code, the item "Property, plant and equipment held for sale" has been added to the balance sheet, as item C) V) of the current assets section. The item includes the net value of an industrial property located in Baranzate and an office building located in Turin for which the respective sale agreements were signed for a total of €6,236,337.

Balance Sheet – Equity and Liabilities

Equity

In compliance with the provisions of Article 2427 (7-*bis*) of the Italian Civil Code, a description of the type, possible uses, and portion available for distribution is set out in the table below for each reserve:

Nature / Description	AMOUNT	POSSIBILITY OF USE	AMOUNT AVAILABLE FOR DISTRIBUTION
Capital	**25,000,000**		**-**
Capital reserves			
Share premium account	223,523	A B C	223,523
Revaluation reserves	426,580,270	A B C	426,580,270
Reserve from profits			
Legal reserve	5,000,000	B	-
Other reserves			
- Extraordinary reserve	211,519,258	A B C	211,519,258
- Reserve Re. Art. 18 Presidential Decree 675/77	16,892	A B C	16,892
- Reserve Re. Art. 55 of Law 526/82	86,235	A B C	86,235
- Reserve Re. Law 46/82	90,785	A B C	90,785
- Reserve Re. Art. 55 Pres. Decree 917/86	212,481	A B C	212,481
- Reserve Re. Law 130/83	162,463	A B C	162,463
- Reserve Re. Law 488/92	380,808	A B C	380,808
(Accumulated amortisation)	-	B	-
- Merger surplus reserve	56,953,074	A B C	56,953,074
Retained earnings	1,545,635,099	A B C	1,545,635,099
Negative reserve for treasury shares	**(17,732,533)**	**restricted**	**(17,732,533)**
Hedge reserve for expected cash flows	**40,715,275**	**restricted**	**40,715,275**
Total	**2,294,843,630**		**2,264,843,630**
Non-distributable quota*			**5,844,721**
Amount available for distribution			**2,258,998,909**

Legend:
A: for capital increase
B: for loss coverage
C: for distribution to shareholders
* equal to the portion of development expenses not yet amortised

The changes in the amounts of equity items are described in the attached "Statement of Changes in Equity".

Share capital

Fully subscribed and paid-up share capital consists of 25,000,000 ordinary shares, with a nominal value of €1 each.

Revaluation reserves

Revaluation reserves are detailed as follows (euro):

	31.12.2021
Re. Law 576/75 *	28,033
Re. Law 72/83 **	267,518
Re. Law 408/90	25,096,319
Re. Law 413/91	5,680,818
Re. Law 342/2000 ***	103,048,413
Re. Law 448/2001	5,100,000
Re. Law 350/2003 ****	93,900,327
Re. Law 266/2005	70,400,000
Re. Law 185/2008	58,200,000
Re. Law 104/20	64,858,842
Total revaluation reserves	**426,580,270**

* *Due to the merger of Luca S.r.l.*

** *Due to the merger of Manifattura Rosy S.r.l. (€198,836) and Luca S.r.l. (€68,682).*

*** *Due to the merger of Mokapak S.r.l. (€5,111,146).*

**** *Due to the merger of Mokadec S.r.l. (€2,729,700) and Mokapak S.r.l. (€8,813,610).*

NEGATIVE RESERVE FOR TREASURY SHARES

In accordance with Legislative Decree of 18 August 2015, implementing Directive 34/2013/EU, amending Article 2357-*ter* of the Italian Civil Code, in these financial statements the value of treasury shares in portfolio was recognised to a specific negative equity reserve.
Treasury shares in portfolio amounted to 2,499,998 ordinary shares, with a nominal value of €1 each, accounting for approximately 10% of share capital.
No other Lavazza Group company owns Luigi Lavazza S.p.A. shares.

HEDGE RESERVE FOR EXPECTED CASH FLOWS

This reserve refers to changes in the fair value of the effective component of derivatives hedging cash flows.

The following table shows movements for the year:

	31.12.2019	INCREASES FOR FAIR VALUE CHANGES	DECREASES FOR FAIR VALUE CHANGES	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	31.12.2020	INCREASES FOR FAIR VALUE CHANGES	DECREASES FOR FAIR VALUE CHANGES	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	31.12.2021
Derivatives to hedge exchange-rate risk	(1,188,893)	3,684,219	(18,669,151)	-	4,417,249	(11,756,576)	27,767,876	(2,895,297)	-	(3,730,631)	9,385,372
Derivatives to hedge commodity risk	11,089,917	5,328,323	(3,798,355)	(3,520,948)	-	9,098,937	43,331,443	(9,516,588)	(11,972,948)	-	30,940,844
Derivatives to hedge interest-rate risk	(3,814,299)	27,346	(1,204,515)	-	1,197,952	(3,793,516)	4,305,436	-	(122,861)	-	389,059
Total	**6,086,725**	**9,039,888**	**(23,672,021)**	**(3,520,948)**	**5,615,201**	**(6,451,155)**	**75,404,755**	**(12,411,885)**	**(12,095,809)**	**(3,730,631)**	**40,715,275**

At 31 December 2021, €40,715,275 of lower hedging costs that will have an impact in 2022 remained suspended in equity. This item primarily relates to the purchase of commodities and foreign exchange and interest rate hedging.

Statement of changes in equity

	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	REVALUATION RESERVE	LEGAL RESERVE	OTHER RESERVES	HEDGE RESERVE FOR EXPECTED CASH FLOWS	RETAINED EARNINGS	PROFIT (LOSS) FOR THE YEAR	NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	TOTAL
Balances at 31.12.2019	**25,000,000**	**223,523**	**361,721,428**	**5,000,000**	**261,514,063**	**6,086,726**	**1,439,136,282**	**106,186,603**	**(17,732,533)**	**2,187,136,091**
Allocation of profit for the year										
-allocation of dividends (€ 2,23 per share)	-	-	-	-	-	-	-	(50,175,004)	-	(50,175,004)
-other allocations	-	-	-	-	7,907,933	-	48,103,666	(56,011,599)	-	-
Other changes	-	-	-	-	-	-	-	-	-	-
-increases	-	-	64,858,842	-	-	-	-	91,470,155	-	156,328,997
-decreases	-	-	-	-	-	(12,537,881)	-	-	-	(12,537,881)
-reclassification	-	-	-	-	-	-	-	-	-	-
Result for the previous year	-	-	-	-	-	-	-	-	-	-
Balances at 31.12.2020	**25,000,000**	**223,523**	**426,580,270**	**5,000,000**	**269,421,996**	**(6,451,155)**	**1,487,239,948**	**91,470,155**	**(17,732,533)**	**2,280,752,203**
Allocation of profit for the year										
-allocation of dividends (€ 1,47 per share)	-	-	-	-	-	-	-	(33,075,003)	-	(33,075,003)
-other allocations	-	-	-	-	-	-	58,395,152	(58,395,152)	-	-
Other changes	-	-	-	-	-	-	-	-	-	-
-increases	-	-	-	-	-	47,166,430	-	103,604,137	-	150,770,567
-decreases	-	-	-	-	-	-	-	-	-	-
-reclassification	-	-	-	-	-	-	-	-	-	-
Result for the previous year	-	-	-	-	-	-	-	-	-	-
Balances at 31.12.2021	**25,000,000**	**223,523**	**426,580,270**	**5,000,000**	**269,421,996**	**40,715,275**	**1,545,635,100**	**103,604,137**	**(17,732,533)**	**2,398,447,767**

During the year, the retained earnings reserve increased due to the undistributed share of the profit from the previous year of €58,395,152.

Provisions for risks and charges

The following table provides the breakdown and movements of provisions for risks and charges:

	31.12.2020	EFFECT OF HEDGING DERIVATIVES	PROVENTI-SATIONS	PROVISIONS FOR THE YEAR	USES - RELEASES FOR THE YEAR	31.12.2021
Provisions for taxes, including deferred:						
provision for taxes	1,420,000	-	-	1,000,526	(953,003)	1,467,523
provision for deferred tax liabilities	3,982,306	13,214,812	-	544,810	(59,875)	17,682,053
Total provisions for taxes, including deferred	**5,402,306**	**13,214,812**	**-**	**1,545,336**	**(1,012,878)**	**19,149,576**
Other provisions:						
provision for legal issues	12,438,834	-	-	4,935,000	(1,825,554)	15,548,280
provision for guarantees and endorsements	6,053,726	-	(565,053)	-	(101,052)	5,387,621
provision for product warranties	2,100,000	-	-	704,954	-	2,804,954
provision for agents' customer compensation	2,794,874	-	(90,334)	229,025	(135,648)	2,797,917
provision for future risks and charges	26,189,262	-	(6,051,134)	15,287,128	(4,810,616)	30,614,640
provision for sundry personnel costs	44,945,947	-	-	29,688,702	(9,263,496)	65,371,153
fund setting up sweepstays	50,000	-	-	221,642	-	271,642
provision for restructuring	713,822	-	-	4,000,000	(127,000)	4,586,822
derivative liabilities	19,964,026	(15,923,845)	-	-	-	4,040,181
Total other provisions	**115,250,491**	**(15,923,845)**	**(6,706,521)**	**55,066,451**	**(16,263,366)**	**131,423,210**
Total provisions	**120,652,797**	**(2,709,033)**	**(6,706,521)**	**56,611,787**	**(17,276,244)**	**150,572,786**

The provision for taxes increased in the year by €1 million in relation to a potential risk related to the VAT position opened by the Company in Bulgaria.
The decrease of €953,003 refers partly to the tax authority's assessment procedure regarding the 2015 tax period, and partly to the payment of fines and interest arising from the higher tax base, as established in the MAP negotiation between the Italian tax authority and, respectively, the French, British and German tax authorities, referring to the 2010 tax period.

The provision for deferred tax liabilities is broken down in a specific table included in the Notes on "taxes for the year."

The provision for legal issues was recognised to account for risks relating to labour legal or contractual obligations associated with situations that already existed at the reporting date, but that were characterised by a state of uncertainty and the outcome of which depends on the occurrence of one or more future events. During the year, the provision was increased by €4 million to cover charges for litigation with customers and distributors; the utilisation of €1.8 million refers to the settlement of legal and settlement expenses incurred in the year but related to disputes arising in previous years.

The provision for guarantees and endorsements has been established to account for possible future losses on loans granted by the subsidiary Cofincaf S.p.A. to vending and Ho.Re.Ca. Operators and fully or partly guaranteed by the Company.

The provision for supplementary agents' customer compensation, created for agent members of Enasarco (National Board for the Assistance to Commercial Agents and Representatives) in the event of retirement or interruption of contract due to principal, was adjusted.

The provision for product warranties refers to any charges that the Company will have to bear to replace defective coffee machines under warranty and remedy any faults. This increased by €704,954 during the year. Starting from 2021, the provision for product warranty (€2,100,000) is shown in the provisions section and is not net of the value of inventories. For clarity purposes, this reclassification was also carried out in the comparative year.

The provision for future risks and charges increased by approximately €15 million, mainly to cover the expected costs of developing industrial projects to convert production lines for the production of sustainable packaging. In fact, the Company is committed to ensuring high product quality

standards, in compliance with the essential requirements of environmental directives and new technologies, adopting processes and raw materials with low environmental impact to reduce waste production. The provisions were used for about €4.8 million for the scrapping of production lines of plastic capsules replaced by the new aluminium capsules with zero environmental impact. Finally, the utilisations, amounting to about €6 million, were necessary to adjust the provision to the re-evaluated recoverability risks for investments made in the cafe and restaurant channel, which had been strongly affected in the previous year by the restrictive measures to combat the Covid-19 pandemic but which during the year showed a recovery, albeit slow and gradual.

At 31 December 2021, the provision for sundry personnel costs included the accruals and uses for employee bonuses and incentives.
The provision for charges for prize competitions represents liabilities arising from prize competitions organised for the Company's customers but for which the amount and settlement date were still unknown at the reporting date.

The item provision for restructuring rose by €4 million due to the process of reorganising and rationalising the Lavazza production system, and was partially drawn down to cover the costs incurred during the year.
The item "derivative liabilities" includes the fair value of the outstanding derivatives at 31 December 2021.

The following table provides a detailed description:

	NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
Current derivative liabilities				
on exchange rates	EUR 86,749,366	Exchange rate risk	834,600	Sales/Purchases of green coffee
on commodities	EUR 37,695,119	Commodity risk	713,501	Purchases of green coffee
Total			**1,548,101**	
Non-current derivative liabilities				
on exchange rates	EUR 72,380,159	Exchange rate risk	220,599	Sales/Purchases of green coffee
on interest rates	EUR 310,000,000	Interest rate risk	2,271,480	Loan
Total			**2,492,079**	
Total			**4,040,180**	

The Company is exposed to fluctuations in foreign exchange rates, in particular with regard to the purchase of green coffee denominated in USD and sales in countries with currencies other than the Euro. In order to reduce the impact of changes in foreign exchange rates on expected cash flows, in accordance with its risk management policy the Company has recourse to derivatives for hedging purposes.

The price of green coffee is subject to considerable volatility caused by both variables relating to physical supply and demand mechanisms (harvest, stocks, consumption and logistical limitations) and speculative activity.
In order to limit the impact of fluctuations in coffee prices, the Company adopts procurement policies aimed at reducing price variations, while also engaging in hedging through financial derivatives, in accordance with its risk management policy.
During the year, the Company used financial derivatives (cross currency swaps) to transform the fixed-rate intercompany loan in US dollars granted to the subsidiary Lavazza Professional Holding North America Inc., commented on in the section on receivables from subsidiaries, into a fixed-rate loan in euros.

LAVAZZA GROUP

COMPANY OFFICERS
GROUP STRUCTURE
LETTER TO SHAREHOLDERS
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LAVAZZA GROUP
Consolidated Financial Statements at 31 December 2021

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The following table shows the movements in the year:

	31.12.2021	31.12.2020	CHANGES
Current derivative liabilities			
Derivatives to hedge exchange-rate risk	834,600	14,189,426	(13,354,826)
Derivatives to hedge commodity risk	713,501	85,923	627,578
Derivatives to hedge interest-rate risk	-	-	-
Non-current derivative liabilities			
Derivatives to hedge exchange-rate risk	220,599	193,620	26,979
Derivatives to hedge commodity risk	-	-	-
Derivatives to hedge interest-rate risk	2,271,480	5,495,057	(3,223,577)
Total	**4,040,180**	**19,964,026**	**(15,923,846)**

Employee termination indemnities

Movements in employee termination indemnities during the year were as follows:

Balance at 31.12.2020 after deduction of advance payment tax Re. Law 662/96	**12,578,630**
Use of indemnities paid in the year	(794,062)
Advances	(81,955)
Revaluation of the year	435,561
Balance at 31.12.2021	**12,138,174**

Employee termination indemnities at 31 December 2021 reflected accrued indemnities due to employees until the date they choose a supplemental pension scheme. This amount will be eliminated with the payments that will take place when employment relationships terminate or in case of any advances made as per law.

In compliance with Legislative Decree No. 124/93 and subsequent company agreements, €3,832,051 were allocated to the following bodies for financing supplemental pension schemes:

DESCRIPTION	CURRENCY	AMOUNT
Alifond	EUR	1,870,065
Fon.Te.	EUR	264,858
Previndai	EUR	1,274,086
Open-ended funds	EUR	423,042
Total	**EUR**	**3,832,051**

Liabilities

Liabilities amounted at €1,126,849,828 at 31 December 2021, broken down as follows:

	31.12.2021	31.12.2020	CHANGES
Payables to banks	628,988,723	464,439,416	164,549,307
Advance payments	1,482,963	992,830	490,133
Trade payables	277,214,077	203,294,883	73,919,194
Payables to subsidiaries	119,528,874	125,905,797	(6,376,923)
Payables to parent company	10,315,835	10,199,264	116,571
Payables to related companies	1,684,896	978,330	706,566
Tax payables	6,094,769	8,863,397	(2,768,628)
Social security liabilities	5,412,091	5,878,681	(466,590)
Other liabilities	76,127,600	58,297,454	17,830,146
Total	**1,126,849,828**	**878,850,052**	**247,999,776**

The item "payables to banks" of €629 million refers to: (i) for €309 million to the residual value of a Corporate Loan (initial value of €400 million), taken out in 2018 at a variable rate (6-month Euribor), then converted into a fixed rate through an Interest Rate Swap transaction, with a duration of 5 years, which during the year was repaid for €91 million; (ii) for €300 million to a corporate financing contract belonging to the sustainability-linked loan category, taken out with a banking pool composed of 4 leading banking institutions in July 2021 that the Company decided to fix through an interest rate swap contract. The start of the capital repayment period has been set in 2024, while the loan is scheduled to expire in 2026. The financing operation has been correlated to sustainability targets, which are observed and measured annually and which allow the company to benefit from reductions in interest pricing; the remaining €20 million refers to a hot money line opened during the year, already partially repaid at the reporting date.

The following table shows the breakdown of payables to banks by maturity:

	31.12.2021	31.12.2020	CHANGES
Payables to banks			
- within one year	175,171,820	155,130,600	20,041,220
- beyond one year	453,816,903	309,308,816	144,508,087
Total	**628,988,723**	**464,439,416**	**164,549,307**

The following table provides a breakdown by geographic area:

	ITALY	EU COUNTRIES	OTHER EUROPEAN COUNTRIES	AMERICAS	AUSTRALIA	OTHER COUNTRIES	TOTAL
Payables to banks	628,988,723	-	-	-	-	-	628,988,723
Advance payments	45,510	85,205	353,178	69,713	-	929,357	1,482,963
Trade payables	194,092,788	29,739,963	31,845,445	12,809,143	338,584	8,388,154	277,214,077
Payables to subsidiaries	6,512,993	88,192,216	9,663,102	13,435,871	754,132	970,560	119,528,874
Payables to the Parent Company	1,684,896	-	-	-	-	-	1,684,896
Payables to related companies	10,315,835	-	-	-	-	-	10,315,835
Tax payables	6,088,056	-	6,713	-	-	-	6,094,769
Social security liabilities	5,412,091	-	-	-	-	-	5,412,091
Other liabilities	47,664,613	16,411,085	6,010,160	166,267	-	5,875,475	76,127,600
Total	**900,805,505**	**134,428,469**	**47,878,598**	**26,480,994**	**1,092,716**	**16,163,546**	**1,126,849,828**

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The following table provides a breakdown of payables to subsidiaries:

	31.12.2021	31.12.2020	CHANGES
Trade payables:			
Direct subsidiaries			
Lavazza Australia Pty Ltd	395,078	482,943	(87,865)
Lavazza Coffee (UK) Ltd	71,036	37,040	33,996
Lavazza Deutschland G.m.b.H.	-	159,829	(159,829)
Lavazza do Brasil Ltda	-	5,245	(5,245)
Lavazza France S.a.s.	109,423	1,894,161	(1,784,738)
Lavazza Kaffee G.m.b.H.	-	27,361	(27,361)
Lavazza Maroc S.a.r.l.	95,518	80,792	14,726
Lavazza Netherlands B.V.	58,524	50,807	7,717
Lavazza Premium Coffees Corp.	1,211,545	550,668	660,877
Lavazza Spain S.L.	537,645	662,023	(124,378)
Lavazza Trading (Shenzhen) Co. Ltd	770,376	545,484	224,892
Lavazza Japan GK	33,594	-	33,594
Carte Noire S.a.s.	1,968,368	3,532,665	(1,564,297)
Cofincaf S.p.A.	460,084	456,549	3,535
Merrild Kaffe ApS	240,409	164,110	76,299
Nims S.p.A.	289,739	800	288,939
Indirect subsidiaries			
Lavazza Australia OCS Pty Ltd	359,054	793,614	(434,560)
Lavazza Professional (UK) Ltd	668,180	7,236	660,944
Lavazza Professional NA LLC	301,021	-	301,021
Carte Noire Operations S.a.s.	6,449,357	4,848,094	1,601,263
Fresh & Honest Café Ltd	71,072	190,193	(119,121)
Controlled by the same parent company			
Lea S.r.l.	750,000	4,380	745,620
Lavazza Eventi S.r.l.	105,596	49,936	55,660
Chili S.p.A.	4,880	126,285	(121,405)
Total trade payables	**14,950,499**	**14,670,215**	**280,284**
Financial payables:			
Direct subsidiaries			
Lavazza Coffee (UK) Ltd	8,226,025	5,100,668	3,125,357
Lavazza Deutschland G.m.b.H.	36,977,921	34,023,081	2,954,840
Lavazza France S.a.s.	11,796,041	6,830,015	4,966,026
Lavazza Kaffee G.m.b.H.	3,500,862	2,392,016	1,108,846
Lavazza Spain S.L.	215,044	-	215,044
Lavazza Premium Coffees Corp.	5,299,826	-	5,299,826
Lavazza Professional Holding EU S.r.l.	751,453	1,488,744	(737,291)
Cofincaf S.p.A.	7,534	775,171	(767,637)
Carte Noire S.a.s.	19,603,578	48,672,145	(29,068,567)
Nims S.p.A.	5,004,182	2,927,883	2,076,299
Indirect subsidiaries			
Lavazza Professional Germany G.m.b.H.	4,500,693	3,002,636	1,498,057
Lavazza Professional (UK) Operating Services Ltd	680,430	1,587,450	(907,020)
Lavazza Professional (UK) Ltd	17,431	787,334	(769,903)
Lavazza Professional France S.a.s.	346,437	-	346,437
Carte Noire Operations S.a.s.	1,887,914	3,829,041	(1,941,127)
Lavazza Professional NA LLC	6,623,480	-	6,623,480
Controlled by the same parent company			
Lavazza Entertainment S.r.l.	476,408	492,798	(16,390)
Lavazza Eventi S.r.l.	348,012	304,930	43,082
Total financial payables	**106,263,271**	**112,213,912**	**(5,950,641)**
Total payables to subsidiaries	**121,213,770**	**126,884,127**	**(5,670,357)**

The financial payables shown in the table refer to the negative balances of the Company's cash pooling system in which various Group companies participate.

Tax payables consist of the following:

	31.12.2021	31.12.2020	CHANGES
Foreign value-added tax	24,115	279	23,836
Income tax to be paid as withholding agents	3,053,498	3,098,194	(44,696)
IRAP (regional production tax)	1,592,059	1,684,182	(92,123)
IRES (corporate income tax)	-	1,980,000	(1,980,000)
Other taxes	1,425,097	2,100,742	(675,645)
Total	**6,094,769**	**8,863,397**	**(2,768,628)**

Tax payables decreased by €2,768,628 due to the payment of higher taxes and related interest arising from the higher tax base, as established in the MAP negotiation between the Italian tax authority and, respectively, the French, British and German tax authorities, referring to the 2010 tax period.

The item "other liabilities" consists of the following:

	31.12.2021	31.12.2020	CHANGES
Trade discounts payable	59,872,616	38,036,554	21,836,062
Payables to personnel	15,459,283	12,579,634	2,879,649
Withholding warranty Caffemotive	-	619,907	(619,907)
Deposits received from third parties	521,238	511,843	9,395
Sundry trade payables	126,042	452,912	(326,870)
Financial debts	41,736	6,020,066	(5,978,330)
Other	106,685	76,538	30,147
Total	**76,127,600**	**58,297,454**	**17,830,146**

The item “trade discounts payables” refers to credit notes to be issued to customers who reached the contractually established volume or sales targets during the year.

Payables to employees relate to the balance of unused holiday and other leaves accrued during the year and production bonuses, partly included in the company welfare programme.
The item "Caffemotive S.r.l. withholding warranty", relating to the sum withheld during 2020, from the payment of the company's shares, was paid in 2021 to the selling party prior to the company's merger by incorporation.

The item "financial payables" decreased by €5,978,330, in relation to the movements of cash and cash equivalents deposited with the broker in respect of the positive margin of derivative financial instruments traded on regulated markets and held by the Company.

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Accruals and deferred income

The following table provides a breakdown of accruals and deferred income:

	31.12.2021	31.12.2020	CHANGES
Accruals:			
14th month salary	3,637,924	3,561,736	76,188
of interest	60,620	1,592	59,028
Total accruals	**3,698,544**	**3,563,328**	**135,216**
Deferred income:			
on tax relief for plant	5,312,988	2,556,592	2,756,396
on derivatives	101,076	129,843	(28,767)
on public contributions	72,000	-	72,000
on franchising entry fees	2,467	82,188	(79,721)
Total deferred income	**5,488,531**	**2,768,623**	**2,719,908**
Total accruals and deferred income	**9,187,075**	**6,331,951**	**2,855,124**

The item "deferred income on tax relief for plant" refers to the future share of government grants pursuant to Article 1, paragraph 35, of Law No. 190/2014 (Research & Development Bonus), which have been accounted for according to the indirect method, spread over the useful lives of the plants to which the relief applies.
The item "deferred income on derivatives" refers to the positive change reported by forward points (the difference between the spot rate/price on the date of execution of the contract and the relevant contractual forward rate/price) and the time value of derivative contracts hedging against foreign exchange and commodity risks in place at 31 December 2021. The amounts in question will be fully charged through profit or loss when the hedged costs are recognised.

Positive change in time value of derivatives

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	CHANGE IN TIME VALUE	HEDGED ASSET / LIABILITY
EUR 992,635	Exchange rate risk	5,750	Sales
EUR 1,789,306	Commodity risk	95,327	Purchases of green coffee
		101,077	

Deferred income on positive change in time value of derivatives

	31.12.2021	31.12.2020	CHANGES
Time value of options on exchange rates	5,750	52,943	(47,193)
Time value of options on commodities	95,327	76,900	18,427
Total	**101,077**	**129,843**	**(28,766)**

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Value of production

Net revenues

Net revenues for the year were broken down as follows:

CATEGORIES OF ASSETS	YEAR 2021	YEAR 2020	CHANGES
Sales of coffee and food products	1,566,782,961	1,437,200,327	129,582,634
Sales of coffee machines and spare parts	70,706,352	64,065,767	6,640,585
Sales of raw materials and other ancillaries	12,613,971	10,075,356	2,538,615
Sales of advertising material	7,241,090	6,740,684	500,406
Sales of other products	2,991,799	2,109,574	882,225
Sales of packaging	369,817	804,625	(434,808)
Total	**1,660,705,990**	**1,520,996,333**	**139,709,657**

The Directors' Single Report on Operations provides comments on the changes of this item.

The table below provides a breakdown of sales by geographical area:

DESTINATION	SUBSIDIARIES	OTHER CUSTOMERS	TOTAL
EU countries	468,877,528	206,340,771	675,218,299
Other European countries	59,177,140	97,396,159	156,573,299
USA	63,681,582	196,012	63,877,594
Rest of the world	19,607,794	55,654,996	75,262,790
Total sales abroad	**611,344,044**	**359,587,938**	**970,931,982**
Total sales Italy	**36,178,477**	**653,595,531**	**689,774,008**
Total	**647,522,521**	**1,013,183,469**	**1,660,705,990**

Other income and revenues

The item "other income and revenues" was broken down as follows:

	YEAR 2021	YEAR 2020	CHANGES
Charge-backs to Group companies	111,050,752	86,493,518	24,557,234
Contingent income	9,761,347	9,201,268	560,079
Grants	2,593,457	2,262,988	330,469
Rentals	1,407,535	1,247,939	159,596
Royalties for the use of our trademarks	983,786	1,318,986	(335,200)
Income from compensation for damages	906,125	513,066	393,059
Ordinary capital gains	867,469	239,276	628,193
Other	2,337,661	2,639,534	(301,873)
Total	**129,908,132**	**103,916,575**	**25,991,557**

Information required by Article 1, paragraph 125, of Law No. 124 of 4 August 2017

Pursuant to Article 3-*quater* of Decree-Law No. 135/2018, for information on grants received, reference should be made to the National Register of State Aid, Transparency section, which provides a complete list of grants disbursed by government entities.

In addition to the information provided in the Italian National Register of State Aid, Transparency section, the following grants towards operating expenses have been recognised, together with the accrued share of capital grants the benefit of which was received in previous years:

Operational grants

DISPENSING SUBJECT	AMOUNT RECEIVED (€)	DESCRIPTION
---	781,139	R&D 2021 tax receivable - Law 160/2019, as amended by Law 178/2020 Art. 1 para. 1064
---	313,840	R&D receivable - IT Green - Law 160/2019, as amended by Law 178/2020 Art. 1 para. 1064
GSE	285,358	Photovoltaic system incentives DM 19/02/07 New Energy Account
FONDIMPRESA	71,613	Training Plan
Total	**1,451,950**	

Capital grants

DISPENSING SUBJECT	AMOUNT RECEIVED (€)	DESCRIPTION
---	418,358	Bonus for investments in new capital goods Ateco 28
---	232,877	Industry Contribution 4.0
---	269,869	R&D receivable - (years 2017,18,19,21)
---	172,403	Contribution to installation expenses - Caffemotive merger
---	48,000	Super-amortisation tax credit
Total	**1,141,507**	

Rentals refer to payments for coffee, vending and OCS machines installed on customers' premises.

Ordinary capital gains were realised on the sale of assets no longer used in the production process.

The item "royalties for the use of our trademarks" mainly refers to the licences for using the Carte Noire trademark in France and the Lavazza trademark in France, the USA, Canada, Mexico, and South Korea.

Charge-back of costs to subsidiaries of €111,050,752 refer to promotional, transport, administrative and IT services.

The item "contingent income" refers mainly to the partial utilisation of the provision for future risks and charges (€6,051,134 million), following an update and redefinition of the risk covered, and to promotional contributions and costs assessed in previous years and no longer applicable in 2021.

Net revenues from subsidiaries and included in value of production are as follows:

	NET REVENUES	OTHER INCOME	TOTAL
Direct subsidiaries			
Lavazza Australia Pty Ltd	18,154,538	3,981,215	22,135,753
Lavazza Capital S.r.l.	-	140,000	140,000
Lavazza Coffee (UK) Ltd	58,134,797	10,689,571	68,824,368
Lavazza Deutschland G.m.b.H.	134,911,517	24,019,751	158,931,268
Lavazza France S.a.s.	33,572,886	1,962,268	35,535,154
Lavazza Japan GK	223,175	224,122	447,297
Lavazza Kaffee G.m.b.H.	11,130,459	2,038,926	13,169,385
Lavazza Premium Coffees Corp.	63,681,582	20,529,076	84,210,658
Lavazza Professional Holding EU S.r.l.	-	630,593	630,593
Lavazza Professional Holding NA Inc.	-	3,316,046	3,316,046
Lavazza Spain S.L.	-	8,473	8,473
Lavazza Sweden AB	6,384,778	1,379,957	7,764,735
Carte Noire S.a.s.	227,710,157	31,828,777	259,538,934
Cofincaf S.p.A.	4,410	92,903	97,313
Kicking Horse Coffee Co. Ltd	-	483,744	483,744
Merrild Kaffe ApS	55,124,633	3,079,593	58,204,226
Nims S.p.A.	36,084,347	915,699	37,000,046
Associates			
Yi Bai Coffee Co. Ltd	-	284,477	284,477
Controlled by the same parent company			
Lavazza Eventi s.r.l.	86,581	340,691	427,272
Lea S.r.l.	3,139	166,771	169,910
Indirect subsidiaries			
Lavazza Australia OCS Pty Ltd	849,808	525,255	1,375,063
Lavazza Professional France S.a.s.	6,080	472,968	479,048
Lavazza Professional Germany G.m.b.H.	37,018	2,892,614	2,929,632
Lavazza Professional NA LLC	-	3,004,956	3,004,956
Lavazza Professional (UK) Ltd	1,042,343	2,256,039	3,298,382
Lavazza Professional (UK) Operating Services Ltd	-	44,983	44,983
Carte Noire Operations S.a.s.	-	260,503	260,503
Fresh & Honest Café Ltd	380,273	53,641	433,914
Total	**647,522,521**	**115,623,612**	**763,146,133**

Costs of production

Raw materials, ancillaries, consumables and goods

Purchases for the year were broken down as follows:

	YEAR 2021	YEAR 2020	CHANGES
Raw materials	666,000,469	632,387,836	33,612,633
Goods	107,106,221	108,201,001	(1,094,780)
Miscellaneous ancillary material	7,440,598	7,997,882	(557,284)
Total	**780,547,288**	**748,586,719**	**31,960,569**

The increase in the cost of raw materials is mainly linked to the general increase in the price of most commodities, particularly green coffee and packaging, which rose significantly in the second half of 2021.

Costs of services

The main costs of services were as follows:

	YEAR 2021	YEAR 2020	CHANGES
Commercial and sales costs	370,299,182	317,828,196	52,470,986
Ancillary purchasing and production costs	153,274,791	133,941,721	19,333,070
Other	56,632,387	46,385,901	10,246,486
Total	**580,206,360**	**498,155,818**	**82,050,542**

The increase in commercial and sales costs can be attributed primarily to the higher costs relating to advertising and promotional services, costs of trade fairs and events, as well as costs for advisory and market research, entertaining and hospitality and transport costs.
It bears noting that in 2020 marketing and advertising activities had declined following the restrictions related to Covid-19.
The rise in ancillary purchasing and production costs was linked to processes outsourced to third parties, expenses for technical advisory and increased rental and transport expenses, offset by a reduction in costs relating to industrial utilities.
The item "other" rose mainly as a result of higher costs for maintenance, general and administrative services and IT advisory.

Remuneration to Directors and Statutory Auditors for their activities during the year are indicated hereunder:

	TOTAL REMUNERATION PAID
Directors' fixed remuneration	1,830,054
Statutory Auditors' fixed remuneration	167,440
Total	**1,997,494**

Use of third-party assets

The following table provides a detailed description:

	YEAR 2021	YEAR 2020	CHANGES
Property leases	8,926,960	8,888,765	38,195
Lease of software and electronic equipment	8,355,492	7,656,193	699,299
Vehicle leases	4,039,118	3,890,333	148,785
Other leases	1,888,704	1,235,634	653,070
Royalties for use of trademarks and patents	956,829	878,571	78,258
Total	**24,167,103**	**22,549,496**	**1,617,607**

The most significant items concern the costs of leasing instalments for the entire real-estate complex accommodating the Company's headquarters and the lease of software and hardware products.

Personnel expenses

Personnel expenses include wages, corresponding contributions, employee termination indemnities paid and the total cost of temporary employment.
The item "other personnel expenses" includes voluntary contributions for supplementary insurance and pension schemes, one-off subsidies and gifts.
The average number of employees and total headcount at year-end, broken down by category, is set out in the table below:

Categories	AVERAGE 2021	HEADCOUNT AT 31.12.2021	AVERAGE 2020	HEADCOUNT AT 31.12.2020
Executives	97	97	95	102
Managers	118	120	106	111
Middle Managers	194	201	172	186
White Collar	722	738	697	705
Travelling personnel	156	154	157	158
Blue Collars	472	471	485	479
Total	**1,759**	**1,781**	**1,712**	**1,741**

Amortisation, depreciation and write-downs

The breakdown in the sub-items has already been reported in the statement of profit or loss; see the comments on the relevant item included in the balance sheet.

Provisions for risks and other provisions

These refer to the following items:

	YEAR 2021	YEAR 2020	CHANGES
Provisions for risks:			
for legal charges and litigations	4,935,000	3,324,894	1,610,106
for future risks and charges	15,287,128	7,823,754	7,463,374
for HR litigation	-	500,000	(500,000)
for machines guarantees	2,804,955	-	2,804,955
Total provisions for risks	**23,027,083**	**11,648,648**	**11,378,435**
Other provisions:			
for guarantees and endorsements	-	1,189,340	(1,189,340)
for prize competition charges	221,642	50,000	171,642
Total other provisions	**221,642**	**1,239,340**	**(1,017,698)**

Further details are given under section Provisions for Risks and Charges.

Other operating charges

The following table shows the main components:

	YEAR 2021	YEAR 2020	CHANGES
Social charges	9,647,088	16,487,169	(6,840,081)
Miscellaneous taxes and duties	3,276,228	2,546,932	729,296
Other gifts and advertising material	2,969,610	3,027,747	(58,137)
Association duties	772,630	777,566	(4,936)
Capital losses	171,841	238,844	(67,003)
Other	2,293,164	4,420,990	(2,127,826)
Total	**19,130,561**	**27,499,248**	**(8,368,687)**

The main item regards donations made to recognised non-profit organisations and entities, in support of social, health and cultural projects.
In addition, through a donation of €8 million work continued on supporting projects of the Giuseppe and Pericle Lavazza non-profit foundation, which has always played an active role in promoting and developing economic, social and environmental sustainability projects in favour of coffee-growing communities throughout the world.

The losses indicated are of a non-financial nature and arise from the sale of fixed assets.

Production costs pertaining to subsidiaries were as follows:

	COSTS FOR PURCHASES	COSTS FOR SERVICES	COSTS FOR OTHER OPERATING EXPENSES	COSTS FOR FINANCIAL EXPENSE	TOTAL
Direct subsidiaries					
Lavazza Australia Pty Ltd	-	421,616	-	-	421,616
Lavazza Coffee (UK) Ltd	812	81,056	-	71,238	153,106
Lavazza Deutschland G.m.b.H.	41	-	-	39,384	39,425
Lavazza France S.a.s.	8,064	103,889	-	4,919	116,872
Lavazza Kaffee G.m.b.H.	-	-	-	3,178	3,178
Lavazza Maroc S.a.r.l.	-	157,690	-	-	157,690
Lavazza Netherland B.V.	-	220,033	-	-	220,033
Lavazza Premium Coffees Corp.	1,341	1,268,563	-	1,132	1,271,036
Lavazza Professional Holding EU S.r.l.	-	-	29,034	1,314	30,348
Lavazza Spain S.L.	-	537,645	-	13	537,658
Lavazza Sweden AB	5,256	-	-	-	5,256
Lavazza Trading (Shenzhen) Co. Ltd	-	1,274,395	-	-	1,274,395
Lavazza Japan GK	-	33,594	-	-	33,594
Carte Noire S.a.s.	159,884	2,151,327	-	52,253	2,363,464
Cofincaf S.p.A.	-	653,375	-	390,099	1,043,474
Merrild Kaffe ApS	1,245	240,409	-	-	241,654
Nims S.p.A.	-	800	-	3,215	4,015
Kicking Horse Coffee Co. Ltd	-	9,603	-	-	9,603
Indirect subsidiaries					
Lavazza Professional Germany G.m.b.H.	-	-	-	3,556	3,556
Lavazza Professional NA LLC	-	843,266	-	886	844,152
Lavazza Professional (UK) Ltd	-	5,330,112	-	26,967	5,357,079
Lavazza Professional (UK) Operating Services Ltd	-	-	-	18,715	18,715
Carte Noire Operations S.a.s.	-	27,013,336	-	2,722	27,016,058
Fresh & Honest Café Ltd	221,921		-	-	221,921
Controlled by the same parent company					
Lea S.r.l.	-	853,914	-	-	853,914
Lavazza Eventi S.r.l.	-	1,263,823	59,436	235	1,323,494
Lavazza Entertainment S.r.l.	-	-	-	571	571
Chili S.p.A.	-	1,025,324	-	-	1,025,324
Total	**398,564**	**43,483,770**	**88,470**	**620,397**	**44,591,201**

Financial income and expense

Financial income

The following table shows the main components:

	YEAR 2021	YEAR 2020	CHANGES
Income from investments			
Dividends from subsidiaries	25,516,195	33,053,684	(7,537,489)
Total	**25,516,195**	**33,053,684**	**(7,537,489)**

Dividends from subsidiaries were broken down as follows:

CURRENCY	AMOUNT	COMPANY
EUR	11,000,000	Carte Noire S.a.s
EUR	2,344,721	Lavazza Coffee (UK) Ltd
EUR	6,000,000	Lavazza Deutschland G.m.b.H.
EUR	3,156,019	Lavazza Premium Coffees Corp.
EUR	2,017,095	Merrild Kaffe ApS
EUR	998,360	Nims S.p.A.
Total	**25,516,195**	

Other financial income was broken down as follows:

	YEAR 2021	YEAR 2020	CHANGES
Interest income			
on non-current receivables	2,796,639	3,806,850	(1,010,211)
on bank current accounts	26,331	558,955	(532,624)
from subsidiaries and associates	7,899	26,971	(19,072)
from companies controlled by the Parent Company	268	638	(370)
Total interest income	**2,831,137**	**4,393,414**	**(1,562,277)**

The item "Interest income on non-current receivables" mainly refers to the interest accrued at year-end on the residual loans granted to the subsidiaries Lavazza Professional Holding North America Inc., Lavazza Professional Holding Europe S.r.l., Lavazza Australia Pty Ltd and Lavazza Australia OCS Pty Ltd.
The decrease compared to the previous year refers primarily to the reduction in the amount of the principal of the loan granted to the subsidiary Lavazza Professional Holding North America Inc. aimed at its recapitalisation.

Other interest income from subsidiaries, associates and companies controlled by the Parent Company refers to the interest income accrued on the centralised treasury account.

Financial expense

Interest expense and other financial expense for the year were broken down as follows:

	YEAR 2021	YEAR 2020	CHANGES
Interest expense			
to credit institutions	5,104,885	5,506,957	(402,072)
to subsidiaries and associates	230,063	169,911	60,152
to companies controlled by the Parent Company	235	2,091	(1,856)
Total interest expense	**5,335,183**	**5,678,959**	**(343,776)**
Expenses and commissions			
to subsidiaries and associates	390,099	508,900	(118,801)
Total expenses and commissions	**390,099**	**508,900**	**(118,801)**
Total interest and financial expense	**5,725,282**	**6,187,859**	**(462,577)**

Other interest expense to subsidiaries, associates and companies controlled by the Parent Company refers to the interest expense accrued on the centralised treasury account.

Interest expense to credit institutions mainly refers to the interest accrued at year-end on the two corporate loans, one contracted in 2018 for an initial amount of €400 million and the other entered into in 2021 for an initial amount of €300 million each.

Exchange gains and losses

Realised and recognised exchange gains and losses are given in the table below:

	YEAR 2021	YEAR 2020	Changes
Unrealised exchange gains	28,392,563	18,789,328	9,603,235
Realised exchange gains	6,666,246	6,977,856	(311,610)
Total exchange gains	**35,058,809**	**25,767,184**	**9,291,625**
Unrealised exchange losses	23,372,907	24,106,776	(733,869)
Realised exchange losses	5,489,715	8,225,260	(2,735,545)
Total exchange losses	**28,862,622**	**32,332,036**	**(3,469,414)**
Net exchange gains (losses)	**6,196,187**	**(6,564,852)**	**12,761,039**

Value adjustments to financial assets

Value adjustments to financial assets include €2,731,408 for the write-down of the investment in Lavazza Netherlands B.V. and corresponds to the decrease in assets partly linked to the loss for the year of the subsidiary Fresh & Honest Ltd and in part to the adjustment of Euro/Rupee exchange rates at 31 December 2021 for the portion considered to be permanent.

The company does not hold derivatives of a speculative nature.

However, where the derivatives do not meet all the conditions for applying hedge accounting treatment imposed by the standard OIC 32, changes in the fair value of the instruments are taken to the statement of profit or loss as adjustments reducing the value of financial assets and liabilities.

Write-ups and write-downs of derivatives amounting to €1,494,654 and €3,034,838, respectively, refer to the ineffective component of the derivatives contracted to hedge against foreign exchange, interest rate and commodity risks and subject to hedge accounting, since they met all the conditions for the hedge accounting treatment of derivatives as per OIC 32.

Income taxes for the year

Current taxes are allocated based on reasonable forecasting of charges, due account being taken of applicable exemptions.
The following table provides a detailed description:

Current taxes for the year	
IRES (corporate income tax)	31,832,212
IRAP (regional production tax)	6,904,227
Other current taxes	149,911
Prior years' taxes	379,963
Allocation to provision for future taxes	-
Deferred taxes for the year	
Provision for deferred tax assets	(17,338,948)
Reversals of deferred tax assets	10,205,443
Provision for deferred tax liabilities	-
Reversals of deferred tax liabilities	(59,875)
Total taxes	**32,072,933**

The accrual to the tax provision of €1,000,000 refers to a potential risk related to the VAT position opened by the Company in Bulgaria.

Changes in deferred tax assets and liabilities and a breakdown of taxes are summarised in the following table, which was prepared pursuant to Article 2427(14) of the Italian Civil Code:

Nature	YEAR 2020			YEAR 2021								
	BALANCE AT YEAR-START			INFLOWS			PROVISIONS			BALANCE AT YEAR-END	
	TAXABLE AMOUNT	%	TAX CHARGE	TAXABLE AMOUNT	%	TAX CHARGE	TAXABLE AMOUNT	%	TAX CHARGE	TAXABLE AMOUNT	TAX CHARGE
DEFERRED IRES TAXES											
Allocations to deferred deductibility provisions	135,320,200	24.0%	32,476,848	(36,126,448)	24.0%	(8,670,348)	68,770,931	24.0%	16,505,024	167,964,683	40,311,523
Unrealised exchange losses	4,973,563	24.0%	1,193,655	(4,973,563)	24.0%	(1,193,655)	5,206,100	24.0%	1,249,464	5,206,100	1,249,464
Statutory / tax differences from asset revaluation	6,517,413	24.0%	1,564,179	(1,217,017)	24.0%	(292,084)	-	24.0%		5,300,396	1,272,095
Statutory / tax differences depreciation	1,253,653	24.0%	300,877	(6,783)	24.0%	(1,628)	197,918	24.0%	47,500	1,444,788	346,749
Cash deductible costs	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-
PREPAID IRAP TAXES											
Allocations to non-deductible/non-material provisions	-	3.9%	-	-	3.9%	-	-	3.9%	-	-	-
Statutory / tax differences from asset revaluation	6,517,413	3.9%	254,179	(1,217,017)	3.9%	(47,464)	-	3.9%		5,300,396	206,715
Statutory / tax differences depreciation	1,253,653	3.9%	48,892	(6,783)	3.9%	(265)	197,918	3.9%	7,719	1,444,788	56,347
Cash deductible costs	-	3.9%	-	-	3.9%	-	-	3.9%	-	-	-
Hedge reserve for expected cash flows			5,615,201			(5,615,201)			438,562		438,562
TOTAL DEFERRED TAX ASSETS			**41,453,832**			**(15,820,644)**			**18,248,269**		**43,881,455**
DEFERRED IRES TAX LIABILITIES											
Allocations to deferred deductibility provisions							1,961,493	24.0%	470,758	1,961,493	470,758
Unrealised exchange gains	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-
Statutory / tax differences from M&As	1,653,616	24.0%	395,868	(214,607)	24.0%	(51,506)	1,952,723	24.0%	468,654	3,391,732	814,016
DEFERRED IRAP TAXES											
Statutory / tax differences from M&As	1,653,616	3.9%	64,491	(214,607)	3.9%	(8,370)	1,952,723	3.9%	76,156	3,391,732	132,278
Hedge reserve for expected cash flows			3,520,948			(3,520,948)			16,265,002		16,265,002
TOTAL DEFERRED TAXES			**3,981,307**			**(3,580,823)**			**17,280,569**		**17,682,054**

The reversal of temporary differences in future years has been assessed on the basis of the best available estimates, in accordance with the prudence principle.

The reconciliation between the tax charge as per financial statements and theoretical IRES and IRAP tax charge is given in the following tables:

IRES (CORPORATE INCOME TAX)	TAXABLE AMOUNT	THEORETICAL TAX RATE	TAX CHARGE	EFFECTIVE TAX RATE
Gross profit	**135,677,070**	**24.00%**	**32,562,497**	**24.00%**
Higher tax charge	**53,971,182**		**12,953,084**	**9.55%**
of which for:				
Non-deductible taxes	2,814,743		675,538	0.50%
Non-deductible write-downs	2,731,408		655,538	0.48%
Non-deductible depreciation and amortisation	4,330,183		1,039,244	0.77%
Non-deductible provisions	32,590,641		7,821,754	5.76%
Other non-deductible costs	11,504,207		2,761,010	2.03%
Lower tax charge	**(56,883,392)**		**(13,652,014)**	**-10.06%**
of which for:				
Costs undeducted in previous years	-		-	0.00%
Dividends	(24,540,385)		(5,889,692)	-4.34%
Other deductible costs	(17,604,768)		(4,225,144)	-3.11%
Patent Box incentive	-		-	0.00%
Gains from tax exemption (PEX scheme)	-		-	0.00%
Contribution for economic growth (ACE)	(14,738,239)		(3,537,177)	-2.61%
Actual IRES charge	**132,764,860**	**24.00%**	**31,863,566**	**23.48%**
Energy savings			**(31,354)**	
Net IRES			**31,832,212**	

IRAP (REGIONAL PRODUCTION TAX)	TAXABLE AMOUNT	THEORETICAL TAX RATE	TAX CHARGE	EFFECTIVE TAX RATE
Value of production (A-B)	**312,836,428**	**3.94%**	**12,332,372**	**3.94%**
Higher tax charge	**11,328,061**		**446,566**	**0.14%**
of which for:				
Costs for outsourced personnel	1,929,691		76,071	0.02%
Non-deductible depreciation and amortisation	239,306		9,434	0.00%
Other non-deductible costs	9,159,064		361,061	0.12%
Lower tax charge	**(149,024,324)**		**(5,874,710)**	**-1.88%**
of which for:				
Costs undeducted in previous years	(6,783)		(267)	0.00%
Use of deductible provisions	(14,122,676)		(556,732)	-0.18%
Deductible contributions and costs for personnel	(134,894,865)		(5,317,711)	-1.70%
Patent Box incentive	-		-	0.00%
Actual IRAP charge	**175,140,165**	**3.94%**	**6,904,227**	**2.21%**

LAVAZZA GROUP

COMPANY OFFICERS
GROUP STRUCTURE
LETTER TO SHAREHOLDERS
DIRECTORS' SINGLE REPORT ON OPERATIONS

LAVAZZA GROUP
Consolidated Financial Statements at 31 December 2021

ACCOUNTING STATEMENTS
- Consolidated Statement of Financial Position
- Consolidated Statement of Profit or Loss
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

LUIGI LAVAZZA S.p.A.
Financial Statements at 31 December 2021

ACCOUNTING STATEMENTS
- Balance Sheet
- Statement of Profit or Loss
- Statement of Cash Flows

NOTES TO THE FINANCIAL STATEMENTS
STATUTORY AUDITORS' REPORT
INDEPENDENT AUDITORS' REPORT

SUSTAINABLE PRINT
SINGLE PAGE PDF

Commitments, guarantees and contingent liabilities

THIRD-PARTY GUARANTEES IN OUR FAVOUR **€ 9,106,326**

This item consists of guarantees given in our favour by banks: €1,500,000 in the interest of the Ministry of Economic Development for prize contests; €4,964,254 for the application for VAT reimbursement to a Group company; JPY 100,000,000 in the interest of Tokyo Customs for import duties and taxes; and €81,000 in the interest of the A.E.M. Energia (Milan) and Edison Energia S.p.A. (Pozzilli) for gas supplies; €204,093 to the Region of Piedmont for clearance work and safety assessment associated with the new Headquarters; €231,930 to the Municipality of Turin for the equipped flowerbeds at the new headquarters and groundwater remediation works; €16,702 to Consorzio Nucleo Sviluppo Industriale Isernia for drinking water supply; €577,020 to Customs; €690,338 for property leases; and €74,000 to the Italian General Commissioner for Italy's participation to the EXPO 2020 DUBAI and referring to the sponsorship of the Italian Pavilion.

GUARANTEES IN FAVOUR OF SUBSIDIARIES **€25,543,947**

The account consists of €1,026,072 in guarantees in favour of Cofincaf S.p.A. to finance contracts with Ho.Re.Ca. customers; €24,075,076 for financing customers' purchases of vending machines for beverages and €442,799 for loans to employees.

SUBSIDIARY FOR COLLECTION OF CREDITS **€17,382,923**

This includes credits outstanding at year-end managed for collection by the subsidiary Cofincaf S.p.A.

LEASING COMPANY FOR UPCOMING LEASE PAYMENTS **€71,575,467**

Upcoming lease payments to be made to the leasing company as per finance lease agreement entered into for the construction of the Company's headquarters.

Supplementary information and statements

Information on payables due after 5 years and/or secured by collateral on company assets

(pursuant to article 2427, paragraph 6, of the Italian Civil Code)

There are no payables secured by collateral on company assets.

Information on capitalised financial expense

(pursuant to article 2427, paragraph 8, of the Italian Civil Code)

There is no capitalised financial expense to be reported.

Consideration owed to the Independent Auditors

(pursuant to Article 2427, paragraph 16-bis, of the Italian Civil Code)

The information required by the above-mentioned regulation is included in the Notes to the Consolidated Financial Statements of the Lavazza Group at 31 December 2021 prepared by the Company.

Related party transactions

(pursuant to Article 2427, paragraph 1, No. 22-bis, of the Italian Civil Code)

With reference to the provisions of applicable legislation, in the reporting year the Company carried out related party transactions that were concluded at arm's length conditions.

Off-balance sheet arrangements

(pursuant to Article 2427, paragraph 1, No. 22-ter, of the Italian Civil Code)

There were no arrangements the effects of which are not presented in the balance sheet and knowledge of which would be helpful to assessing the Company's capital and financial position.

Post balance sheet events

(pursuant to Article 2427, paragraph 1, No. 22-quater, of the Italian Civil Code)

The Group has distributors and customers in emerging markets that may also be subject to geopolitical risks such as, for example, Russia and Ukraine. At the reporting date, the devastating effects in both countries produced by the Russian invasion of Ukraine are evident. Most production and commercial activities are suspended. At the same time, Russia has been hit by heavy sanctions issued by the main European and Nato countries as well as the flight of foreign private investors which are weakening its economy. There are no significant impacts on the Group's business even though all activities in Russia were suspended at the reporting date, combined with the inability to supply the Ukrainian market.

The 2021 results are not only a historic milestone for the Group but also the starting point from which to face a year that promises to be extremely complex and challenging, due to the rise in all the raw materials we deal with — green coffee primarily but also packaging, energy and logistics. The strong price volatility marking this period makes it particularly difficult to provide completely reliable forecasting elements.

Finally, with regard to the Covid-19 pandemic situation, 83% of the Italian population has completed the primary vaccination cycle and so it is hoped that the arrival of the summer season will see a generalised recovery in consumption, with particular regard to the Away from Home sector.

Company Preparing the Consolidated Financial Statements

(pursuant to Article 2427, paragraph 1, No. 22-quinquies/sexies, of the Italian Civil Code)

FINLAV S.P.A.
Registered Offices: Via Bologna 32 - 10152 TURIN
Fully paid-up share capital: €167,500,000
Tax code and Turin Company Register No. 03028560153
Turin Economic and Administrative Index (REA): 910824

Allocation of the profit for the year

(pursuant to Article 2427, paragraph 1, No. 22-septies, of the Italian Civil Code)

Reminding the Shareholders that the legal reserve has reached the limit set forth by Article 2430 of the Italian Civil Code, we recommend that the profit for the year, which amounted to €103,604,137.40 be allocated as follows: to the 22,500,002 outstanding shares a dividend of €1.90 per share, totalling €42,750,003.80 overall; to the restricted reserve for exchange gains an amount of €5,019,656.00; and the remaining €55,834,477.60 as profit carried forward.

Turin, 28 March 2022

Statutory Auditors' Report

JOINT STOCK COMPANY LUIGI LAVAZZA S.p.A
Registered Offices: Turin - via Bologna 32
Fully paid up share capital €25,000,000.=
Tax code and Turin Company Register No. 00470550013

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Shareholders,

This Report has been approved collegially for filing at the Company's offices in view of the Shareholders' Meeting called to approve the Financial Statements commented herein.

The administrative body has thus provided access to the following documents approved on 28 March 2022 concerning the year ended 31 December 2021:

- the draft Financial Statements, including the Notes and the Statement of Cash Flow; and
- the Report on Operations.

Knowledge of the Company, assessment of risks and report on professional assignments

Regarding the activity carried out by the Board of Auditors in 2021, we point out that meetings were held remotely in order to comply with the precautionary rules resulting from the spread of the Covid-19 pandemic.

Given the long-standing knowledge that the Board of Statutory Auditors represents it possesses about the Company and:

I) the type of business conducted;

II) the organisational and accounting structure;

and in light of the Company's size and concerns, it bears reiterating that the "planning" phase of the supervisory activity — during which the inherent risks and critical issues relating to the two above parameters are verified — was implemented by verifying that the information obtained over time was still current.

It was therefore possible to confirm that:

- the Company's core business did not change during the reporting year and is consistent with its Articles of Association;
- the human resources constituting the "workforce" remained virtually unchanged;

- it may be observed that in 2021 the Company operated on comparable terms to the previous year, and thus that our controls were performed on this basis, having verified that the values and results are essentially comparable with those from the previous year.

This Report thus summarises the activity relating to the information provided for in Article 2429, paragraph 2, of the Italian Civil Code, and namely:

- the results for the year;
- the activity performed in fulfilment of statutory duties;
- remarks and proposals concerning the Financial Statements, with particular regard to any use by the governing body of derogations pursuant to Article 2423, paragraph 5 (formerly paragraph 4), of the Italian Civil Code.

The activities performed by the Board of Statutory Auditors concerned the entire financial year. The meetings set out in Article 2404 of the Italian Civil Code were regularly held and specific minutes for such meetings were drafted and duly signed in unanimous approval.

Activities performed

During its periodic controls, the Board of Statutory Auditors obtained information about the course of the business of the Company and its subsidiaries, with a particular focus on problems of a contingent and/or extraordinary nature, so as to identify their impact on the Company's operating result for the year and financial structure, in addition to any risks, such as those due to losses on receivables, which are subject to regular monitoring.

The Board of Statutory Auditors periodically assessed the adequacy of the Company's organisational and functional structure and any changes with respect to minimum needs in light of operating performance.

Relations with the persons operating within the above structure — directors, employees and consultants — are inspired by mutual collaboration in accordance with the roles assigned to each of them.

For the entire year, it was determined that:

- the level of their technical preparation remained adequate to the type of ordinary corporate events to be recorded and they possessed sufficient knowledge of the Company's concerns;
- the external consultants and professionals engaged to provide assistance with tax, corporate and labour law matters did not change, and they thus possessed long-standing knowledge of the business conducted and ordinary and extraordinary operating issues that affected the results presented in the Financial Statements.

The information required by Article 2381, paragraph 5, of the Italian Civil Code was provided by the Chief Executive Officer. In conclusion, to the extent it was possible to determine in the course of the activity performed during the year, the Board of Statutory Auditors may state that:

- the decisions made by the shareholders and the administrative body were compliant with the law and the Articles of Association and were not in potential conflict of interest nor were they, imprudent or such as to jeopardise the Company's capital integrity;
- sufficient information was obtained about the general operating performance and business outlook, and about the most significant transactions undertaken by the Company and its investees in terms of size or characteristics;
- the transactions undertaken were also compliant with the law and the Articles of Association, in line with the principles of sound management and not in potential conflict with the resolutions passed by the Shareholders' Meeting, or such as to jeopardise the Company's capital integrity;
- as regards the ongoing crisis linked to the Covid-19 epidemic, it acknowledged that the Company has put in place the necessary measures to safeguard the health of its employees and, in any case, all those measures provided for by the regulations as they were issued, and that the Company's efficient operation has never been compromised;
- it acquired knowledge of and oversaw, insofar as within its remit, the adequacy and functioning of the organisational structure and the internal control system, as well as of the administrative-accounting system, also with reference to its correct operation during the emergency period,

as well as the reliability of said system in representing the operating events correctly. To this end, it obtained information from the heads of functions, examined company documents and analysed the activities carried out by the independent auditors and, in this regard, it has no particular observations to report;

- it obtained information by the supervisory body and no critical issues emerged with regard to the proper implementation of the organisational model that would have required mention in this Report;
- it did not have to intervene due to failure to act by the administrative body pursuant to Article 2406 of the Italian Civil Code;
- no complaints were received pursuant to Article 2408 of the Italian Civil Code;
- no complaints were filed pursuant to Article 2409, paragraph 7, of the Italian Civil Code;
- during the year, the Board of Statutory Auditors issued the opinions required by law;
- in carrying out the supervisory activity, as described above, no other material facts were brought to light that would have required mention in this Report.

Remarks and proposals concerning the Financial Statements and their approval

The draft Financial Statements for the year ended 31 December 2021 have been approved by the administrative body and comprise the Balance Sheet, the Statement of Profit or Loss, the Statement of Cash Flow and the Notes.

In addition:

- the administrative body has also prepared the Report on Operations pursuant to Article 2428 of the Italian Civil Code;
- those documents were delivered to the Board of Statutory Auditors in time to be filed at the Company's registered office, accompanied by this Report;
- statutory auditing has been entrusted to the auditing firm EY S.p.A., which has drawn up its report pursuant to Article 14 of Legislative Decree No. 39 of 27 January 2010. This Report does not contain any identification of material misstatements, adverse opinions, disclaimers of opinion or requests for additional information, and the opinion issued is therefore positive.

The draft Financial Statements have thus been examined and the following additional information is provided in this regard:

- since we are not responsible for detailed control of the Financial Statements on the merits, we focused on the structure of the Financial Statements and their general compliance with the law in terms of preparation and structure, and we do not have any specific remarks to submit to you on this subject;
- we verified that the Financial Statements are consistent with the facts and information of which we became aware in the course of performing the duties typically assigned to boards of statutory auditors and we do not have further remarks on this subject;
- to the best of our knowledge, in preparing the Financial Statements the Directors did not apply derogations pursuant to Article 2423, paragraph 5 (formerly paragraph 4), of the Italian Civil Code;
- the Financial Statements have been prepared in accordance with the provisions of Articles 2423 *et seqq.* of the Italian Civil Code, interpreted according to the accounting standards issued by the Italian Accounting Standard-Setter (OIC). Accordingly, the layouts adopted are consistent with those envisaged in the Italian Civil Code for the Balance Sheet (Article 2424) and the Statement of Profit or Loss (Article 2425), and with the basis of preparation, in light of the application of Legislative Decree No. 139/2015, envisaged in Article 2423-*bis* of the Italian Civil Code;
- as indicated in the Notes to the Financial Statements, which include the tables prepared in accordance with specific provisions of law or the OIC's requirements, items of the Financial Statements have been measured in accordance with Article 2426 of the Italian Civil Code;
- the Notes include the content specified in Articles 2427 and 2427-*bis* of the Italian Civil Code, which complements the tables of the Balance Sheet and Statement of Profit or Loss with the measurement criteria adopted and the other information required by provisions of law, in addition to providing the other information deemed necessary to more thorough understanding of the Financial Statements;
- the Statement of Cash Flow was prepared in accordance with Article 2425-*ter* of the Italian Civil Code;

- in addition, pursuant to Article 2426, paragraph 1, points 5 and 6, of the Italian Civil Code, the Board of Statutory Auditors also granted its consent to the recognition of amounts allocated to the item development costs and goodwill, whereas no start-up and expansion costs were recognised during the year;
- the Single Report on Operations drafted by the Directors identifies the main events that characterised operations and the result for the year, in addition to providing an analysis of technical investments, financing activity and the other information required by Article 2428 of the Italian Civil Code, including information about transactions with parent companies and related parties, specifying the amount and nature of the relationship, including the specification that they were concluded at arm's length conditions;
- the geopolitical tensions between Russia and Ukraine and the consequent outbreak of the armed conflict in February 2022 have generated strong instability, the impact of which on the global political and economic scenario is difficult to estimate. The Board of Directors illustrated the Company's framework of reference in the Report on Operations;
- we acknowledge that the Company prepares its Consolidated Financial Statements in compliance with the IAS/IFRS. In this regard, the independent auditors EY S.p.A. confirmed in their report that the consolidated financial statements were correctly drawn up and the Report on Operations was consistent with the said financial statements, in addition to being compliant with the law, therefore expressing a clean, positive opinion;
- the Board of Statutory Auditors has no remarks to make with regard to the administrative body's proposed allocation of the net profit for the year presented at the end of the Notes.

Result for the year

The net result reported by the administrative body for the year ended 31 December 2021 is positive at €103,604,137.

Conclusions

On the basis of the foregoing, as ascertained by the Board of Statutory Auditors' and in the course of the periodic controls performed, it is our opinion that there is no impediment

to your approval of the draft Financial Statements for the year ended 31 December 2021, as drafted, as well as of the allocation of the net profit for the year, as submitted to you by the administrative body.

Upon approval of this Annual Report, the three-year mandate of the Board of Statutory Auditors in office will expire. Thanking you for the trust you placed in us, we hereby invite you to resolve on the matter.

Turin, 13 April 2022

THE BOARD OF STATUTORY AUDITORS

(Gianluca FERRERO)

(Angelo GILARDI)

(Bernardo BERTOLDI)

Independent Auditors' Report

Building a better working world

Luigi Lavazza S.p.A.

Financial statements as of December 31, 2021

Independent auditor's report in pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Luigi Lavazza S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Luigi Lavazza S.p.A. (the Company), which comprise the balance sheet as of December 31, 2021, the income statement and statement of cash flows for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting 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 consider this matter in forming 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;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, 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.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Luigi Lavazza S.p.A. are responsible for the preparation of the Report on Operations of Luigi Lavazza S.p.A. as of December 31, 2021, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Luigi Lavazza S.p.A. as of December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Luigi Lavazza S.p.A. as of December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Turin, April 13, 2022

EY S.p.A.
Signed by: Stefania Boschetti
Auditor

This report has been translated into the English language solely for the convenience of international readers.

Registered and administrative offices:
Via Bologna 32 – 10152 Turin – Italy
Subscribed and fully paid-up capital: €25,000,000
Tax code and registration No. at the Turin Register of Companies: 00470550013

PREPARED BY

Financial Reporting & Accounting Department

EDITORIAL SUPPORT

Corporate Communication Department

GRAPHIC CONCEPT AND DESIGN

SGI Società Generale dell'Immagine S.r.l. - Turin

TRANSLATED BY

Koinè - Trieste