



ANNUAL REPORT  
**2022**

# 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
Alessandro	Forte	

## INDEPENDENT AUDITORS

EY S.p.A.

# GROUP STRUCTURE



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# LETTER TO SHAREHOLDERS

Dear Shareholders,

The financial year ended 31 December 2022 closed with the Group's consolidated result of €94,557 thousand based on the IFRS and Luigi Lavazza S.p.A.'s positive result of €68,845 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.

We faced these difficult times with strength, determination and courage, despite the consequences of the pandemic, the international geopolitical tensions, inflation and the raw materials crisis. Even in such a complex year, the Lavazza Group reported a turnover of more than €2.7 billion, maintaining its profitability in line with the previous year, with margins supported by higher sales in all geographical areas, a solid price mix and operating cost containment. Our global Group has the values, resources and people needed to manage complexity and look to the future with peace of mind.

The results and transactions reported by Lavazza in 2022 are even more significant in light of the particularly complex macroeconomic scenario, which is expected to persist in the current year with an even greater effect.

We have always been committed to economic, environmental and social sustainability, valuing our people and the local areas and communities in which the Group operates. We focus our efforts on reducing the environmental impact of our activities and on promoting responsible business practices.

With the same determination, in 2022 we contributed to supporting people who suffered — and continue to suffer — from the devastation of the war in Ukraine through both donations to various NGOs and shipments of our products. In March, we suspended all operations in Russia.

We take the wellbeing of our People to heart, and in 2022 we renewed our supplementary company contract with a view to ensuring work-life balance for all HQ personnel.

This is just one of the aspects that, also this year, allowed us to obtain the Top Employer Italy certification from the Top Employers Institute, a global certification authority on recognising excellence in people practices.

In 2022, the Lavazza Group's Code of Ethics was revised and made more accessible. The Code stems from the desire to reiterate the values that underpin our business approach and to share them with our stakeholders.

In addition, our Group has recently obtained level-one EDGE certification for gender equality in Italy. This recognition, reserved for companies that promote gender equality and inclusion in the workplace, is the first milestone reached within the Gap-Free Manifesto, which concretely represents our commitment to creating an increasingly inclusive organisation in which all our People can express their authenticity.

Besides achieving sound financial results, we also continued our traditional drive towards internationalisation: at the end of 2022, we submitted a bid for acquiring a 100% stake in the French coffee seller MaxiCoffee, so as to continue our international expansion and to take a further step towards diversifying our business. In India, we also struck a partnership with Everstone group's Culinary Brands that presented Lavazza with a bid to acquire the majority stake in Fresh and Honest Café Ltd, which owns a production plant in Sri City (Andhra Pradesh) and the Fresh and Honest Café Ltd, coffee brand. Following the completion of this transaction, the Group will retain a minority interest in Fresh and Honest Café Ltd., granting it a licence to the Lavazza brand for the Indian market, confident that it will grow further in the future as coffee consumption in India increases.

The Chairman of the Board of Directors

**Alberto Lavazza**



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# GROUP HIGHLIGHTS

## GROUP'S RESULT FOR THE YEAR

The following table shows the Group's operating and financial highlights at 31 December 2022 compared with the previous year:

€ million	2022	RATIO %	2021	RATIO %
NET REVENUES	2,715.5	100.0%	2,308.4	100.0%
EBIT	159.6	5.9%	163.6	7.1%
EBITDA	309.1	11.4%	312.1	13.5%
ADJUSTED EBITDA (before non-recurring items)	311.1	11.5%	312.2	13.5%
PROFIT FOR THE YEAR	94.6	3.5%	105.5	4.6%
CAPEX	123.7		134.7	
NET FINANCIAL POSITION	(135.7)		(283.1)	
EQUITY ATTRIBUTABLE TO THE GROUP	2,579.2		2,530.4	
HEADCOUNT AT 31/12	4,198		4,169	

## A SUCCESSFUL STORY BETWEEN INNOVATION AND SUSTAINABILITY

Founded in Turin in 1895, Lavazza has been owned by the Lavazza family for four generations. Today, the Lavazza Group is among the major players in the global coffee arena, with a portfolio of leading brands on reference markets such as Lavazza, Carte Noire, Merrild and Kicking Horse. It operates in 140 markets — across all business segments — with 9 production plants in 6 countries and over 4,000 employees worldwide.

This global presence stems from a growth path that has lasted for over 125 years, as well as from investments in research and innovation, with a constant focus on sustainability. The over 30 billion cups of Lavazza coffee produced a year currently bear witness to a great success story, to continue to offer the best possible coffee in any form, by tending to all aspects of the supply chain, from selection of the raw material to the in-cup product.

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 revolutionised the coffee culture thanks to continuous R&D investments.

**140**  
COUNTRIES

**+4,000**  
EMPLOYEES

This forward-looking attitude is also reflected in the attention paid to sustainability – economic, social and environmental – always considered a beacon for directing company strategy. *"Awakening a better world every morning"* reads the Purpose of the Lavazza Group, which aims at creating sustainable value for shareholders, employees, consumers, suppliers and the communities in which it operates, combining competitiveness with social and environmental responsibility.

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.

## LAVAZZA'S COMMITMENT TO SUSTAINABLE, RESILIENT ECONOMIC DEVELOPMENT

The Lavazza Group has always been committed to operating in a sustainable way, and today the pillars of its approach to doing business are the enhancement of its people and the local areas and communities where it operates, and the minimisation of the environmental impact of its activities. This approach has allowed Lavazza 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 business areas. This process resulted in the identification of four of the 17 Sustainable Development Goals (SDGs) set in the United Nations 2030 Agenda and participation in the UN Global Compact, working on publication of the Group's Sustainability Manifesto. The SDGs identified are Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 12: Responsible Consumption and Production, and Goal 13: Climate Action.

Sustainability has been integrated into the 2021-2025 strategic plan since 2021. The approach to a responsible business translates into constant monitoring of the Group's targets and thorough, transparent reporting of its performances through publication of the Sustainability Report, which since 2015 has been prepared according to the reporting standards of the Global Reporting Initiative, the main international criteria of reference for reporting of sustainability performance, and is subject to a limited review by an independent auditing firm.

The Sustainability Report is structured according to the Group's contribution to each of the United Nations Sustainable Development Goals, deemed a priority for both the Company and the non-profit Giuseppe and Pericle Lavazza Foundation.

The Group's priority is to ensure that economic growth proceeds in step with respect for and development of individuals and the local communities in which it operates, while also strengthening its commitment to protecting its employees, their safety and their wellbeing. Goal 8 of the 2030 Agenda relating to decent work and economic growth is one of the four SDGs that represent a priority for the Lavazza Group.

In 2022, support therefore continued to be provided to communities — and in particular the most vulnerable segments of society — and to the supply chain thanks to a structured programme of projects focusing on respect for and promotion of human rights, in collaboration with Lavazza suppliers and international NGOs such as Save the Children and Oxfam. A process of selection and monitoring of suppliers based on their sustainability performances was structured and reinforced as part of these projects.



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Considerable work was also done in developing formal documents and policies with a view to increasing integration of sustainability criteria into processes and activities, starting with the publication of the new Lavazza Group Code of Ethics, revised in light of the Group's four values and its corporate Purpose, "Awakening a better world every morning". This Purpose also led to the definition of two new documents included in Lavazza's set of procedures: "Commitment to Human Rights" and "Commitment to Children's Rights".

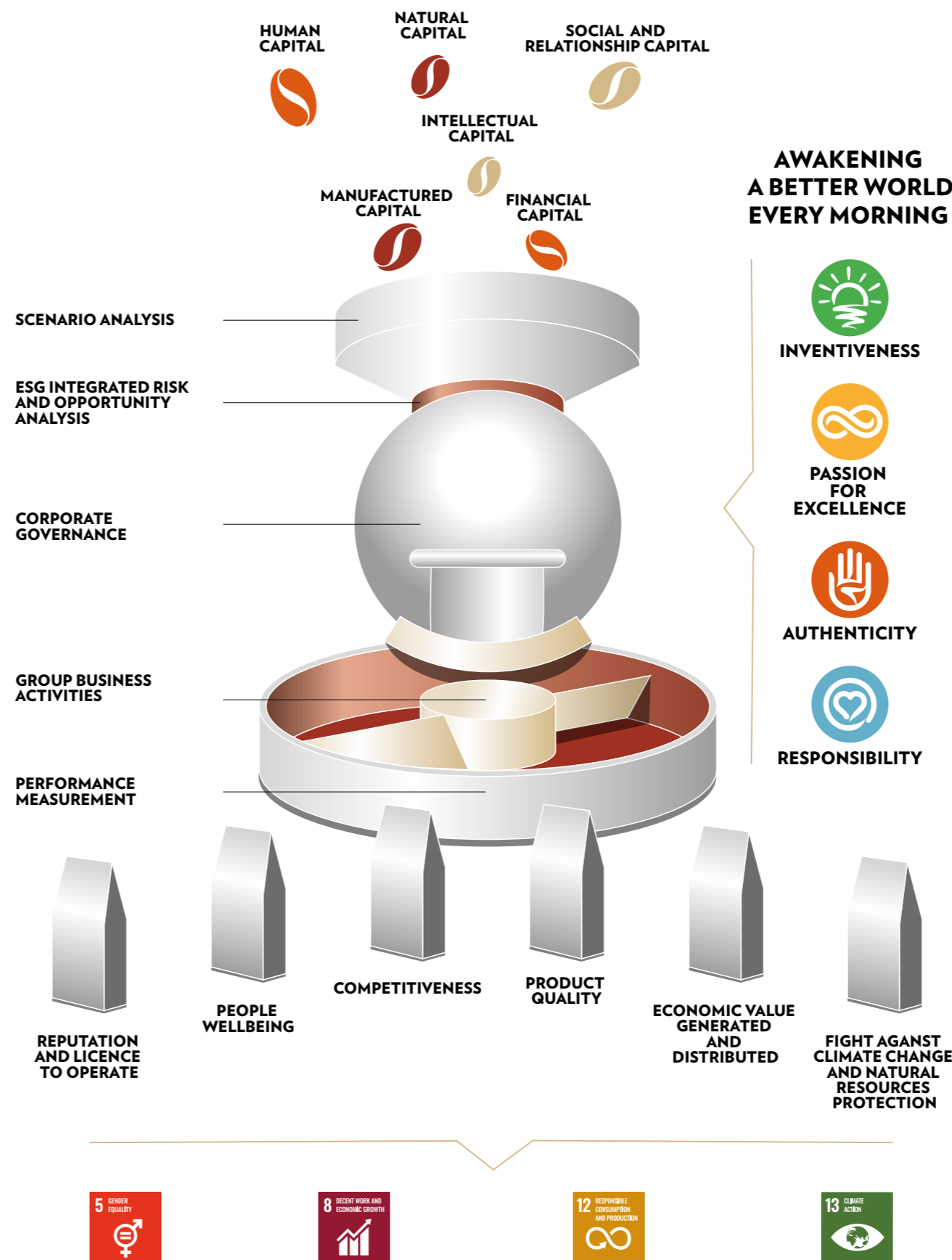
Each year, the Group supports the non-profit Giuseppe and Pericle Lavazza Foundation, established in 2004 to coordinate and develop sustainability projects. In 2022, the Foundation supported 33 projects with more than 180,000 beneficiaries. To date, these initiatives involve twenty countries across three continents and are aimed at increasing coffee yields and quality, while also promoting implementation of sustainable farming practices and entrepreneurship in farming communities as a whole. The Foundation has chosen to support the autonomy of local communities, by enhancing women's work, engaging the new generations, sharing good agricultural practices and introducing technological tools to combat the effects of climate change.

LAVAZZA  
FOUNDATION  
**33** PROJECTS  
**180,000**  
BENEFICIARIES

## BUSINESS MODEL

The Group is committed to developing its business according to a model that aims to create value through ethical, responsible practices. What follows is an account of the Group's business model. According to the main international guidelines of the Integrated Reporting (<IR>) Framework, the chart shows how the Group's main resources, referred to as "inputs of capital", are used to create shared value throughout the value chain to pursue the Group's targets and contribute to sustainable development. Solid, transparent governance in which sustainability is integrated into business decisions makes it possible to use inputs of capital in light of a thorough, up-to-date scenario analysis of the coffee industry and the sustainability macro-trends. The risk analysis, integrated with ESG factors, allows to prevent the main threats to the Group and protect the Company's business activities. Through cyclical monitoring of economic and sustainability performance, the Company generates short- or long-term results (outputs). Their impact (outcome) in the long term is measured from one year to the next through specific indicators for the various areas accountable for the result achieved.

The compass that orients the entire process is represented by the four company values and the Group's Purpose, "Awakening a better world every morning."



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CAPITAL	INPUT	OUTPUT	OUTCOME
<b>Social and Relationship Capital</b>	The Group's social and relationship capital is based on its extensive presence on working tables and in <b>key coffee associations</b> , such as the International Coffee Organization, World Coffee Research and the European Coffee Federation. Active participation in <b>pre-competitive networks</b> and international research enriches the Group's vision, contributing to identifying transversal solutions to common coffee industry problems, while also promptly seizing emerging opportunities. At Lavazza, relationship capital also extends to the local communities in which it operates through a <b>dense network of NGOs, civil society associations and public entities</b> that makes it possible to meet the needs at local level.	Lavazza's constant openness to dialogue and stakeholder collaboration allows the Group to build <b>solid, lasting relationships</b> , while maintaining its <b>operating legitimacy</b> . The pre-competitive approach to strategic partnerships allows Lavazza to engage in <b>dialogue with institutions</b> , thus giving the sector a common voice. A close focus on green coffee producers allows Lavazza to establish relationships that help increase its <b>control of the supply chain</b> and of its impacts. Moreover, constant support for local communities implemented within the Group's Community Care program translates into the planning of <b>sustainable development projects</b> , which reach an ever-larger number of beneficiaries.	The sustainable development projects promoted by the Group through the Lavazza Foundation invest in <b>capacity building of the local communities</b> where Lavazza operates and its suppliers are located, <b>strengthening entrepreneurship among small coffee growers</b> and the role of women throughout its supply chain. A constant presence on the main international working tables in the coffee sector ensure that the Group <b>monitors any regulatory changes</b> .

<b>Human Capital</b>	The Lavazza community is made of direct <b>employees and independent contractors</b> , who together contribute to the Company's success. The combination of the various types of <b>knowledge and competencies</b> offered by personnel with a constant investment in <b>wellbeing and training</b> makes it possible to generate added value for business activity. Lavazza uses its <b>company values</b> as a compass that guides its strategic decisions and people management.	Underlying Lavazza's approach is the conviction that a constant focus on people <b>wellbeing</b> is directly proportional to <b>improving company performance</b> . The Company's commitment to ensuring an inclusive, healthy working environment for the people that are part of it, the development of professional growth paths and the integration of ethics into performance measurement processes foster <b>retention and talent attraction</b> .	The indirect value generated by the Group in the countries where it operates through its commercial and production sites, combined with a constant focus on the quality of the jobs offered, the safety of its employees, their training and wellbeing, viewed broadly, contribute to the sustainable <b>economic development of the Country</b> .
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CAPITAL	INPUT	OUTPUT	OUTCOME
<b>Natural Capital</b>	<b>Green coffee</b> is the main natural resource required by the Group to perform its activities. It is a resource particularly sensitive to climate change. The variety of the coffee origins helps Lavazza protect <b>biodiversity and preserve the ecosystems of coffee-growing countries</b> . In addition, the use of <b>renewable energy sources</b> is currently essential to develop a production process that is increasingly sustainable over the long term, as is the constant search for circular solutions for finished product packaging.	Thanks to careful selection of origins and blends, the Group can offer a <b>high-quality</b> finished product with specific <b>sensory properties</b> . For Lavazza, the threat posed by climate change to coffee drives business decisions that integrate <b>respect for the environment and natural resources</b> . The implementation of strategies that call for emission reduction and an increasingly efficient use of materials and resources translates into strategic marketing of products with specific sustainability characteristics like the "La Reserva de Tierra" range, the NCC Carbon Neutral capsule range and product ranges with compostable capsules.	Agroforestry projects or projects aimed at increasing agricultural production and reforestation, financed by the Lavazza Group and the Lavazza Foundation, have positive impacts on the <b>quality of life of coffee growers</b> , while also representing effective climate change mitigation policies.

<b>Intellectual Capital</b>	The Group's intellectual capital is a unique heritage of <b>expertise</b> relating to the selection, processing and sale of coffee blends. In recent years, it has been enriched by the filing of numerous <b>patents</b> also intended to improve the efficiency and sustainability of coffee machines. In addition, the existence of a <b>set of company policies</b> , supported by IT systems, consolidated practices, processes and internal procedures, enables constantly efficient management of business activities.	The internal policies and procedures and the IT systems implemented support and ensure over time compliance with the highest standards of management system certification. This translates into increasing <b>efficiency</b> of company processes and a drive towards <b>constant innovation</b> .	The processes of ongoing innovation pursued by the Group, supported by the expertise it has gained over more than a century of activity in the coffee sector, ensure the <b>creation and preservation of value</b> over time and the <b>competitiveness</b> of the Group as a whole.
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CAPITAL	INPUT	OUTPUT	OUTCOME
<b>Financial Capital</b>	The Group is characterised by a <b>solid financial structure</b> and thorough <b>net financial position</b> management based on liquidity and lines of credit, thus enabling the continuity of its business and activities. Through the use of <b>own funds and the reinvestment of profits, financing</b> from major financial institutions (e.g., sustainability-linked loans) and a medium- and long-term debt exposure, the Group also optimises its financial profile through the <b>mitigation</b> of interest rate, exchange rate and commodity <b>risks</b> by means of derivative financial instruments with exclusive hedging purposes.	Thanks to its solid financial structure, the Lavazza Group has completed several acquisitions and continues to invest in its business, creating <b>added value</b> . In pursuit of constant growth, it has formulated a <b>strategic plan</b> that calls for <b>investments</b> consolidating this process, increasing resilience and profitability and strengthening the Company's positioning with a view to sustainable development. In addition, the <b>internationalisation</b> drive towards new markets is an investment that translates into successful joint ventures and acquisitions.	The Lavazza Group produces and <b>distributes wealth for its stakeholders</b> , contributing to the growth of the local communities in which it operates. The commitment to sustainable economic development, which minimises the use of resources through a solid strategy based on the circular economy and the use of renewable resources, ensures greater autonomy, as well as the ability to generate long-lasting income and jobs without compromising the Company's future.
<b>Manufactured Capital</b>	To provide a quality product, Lavazza has <b>nine plants</b> in six countries, where specific roasting and packaging <b>machinery</b> is used to keep the production process constant and efficient, in addition to its Turin <b>Headquarters</b> and an <b>Innovation Center</b> devoted to R&D investments and to training coffee quality professionals. Furthermore, thanks to its extensive distribution network, made up of <b>warehouses and storage centres</b> , Lavazza distributes its products in over 140 countries, in many of which it operates through direct commercial subsidiaries.	Lavazza ensures the high <b>quality of its finished products</b> by complying with strict standards regarding coffee processing procedures, <b>innovation</b> and constant maintenance of production machinery. A further drive towards the use of <b>assets compatible with the energy transition</b> that meet the strictest regulatory requirements and the highest certification standards is in line with the Group's sustainable development plans.	Highly efficient business activities and compliance with the highest quality standards ensure <b>productivity, technological progress</b> and <b>innovation</b> .



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## 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.

### 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 and making it 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.

### 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.



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## BUSINESS LINES

The Lavazza Group's wide range of products, dedicated to both At Home and Away From Home consumption, is distributed across all sales channels: Retail, Foodservice, Retailing, 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.

### BUSINESS LINES

#### 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.

In addition to a broad presence in mass retail and specialist stores, the Group also markets its At Home products through Nims, which joined the Group in 2017 and 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.

The products of the Group's brands 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 main 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, thanks to 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 an historic building in front of the iconic Liberty department store in Great Marlborough Street.

China is another key market where coffee consumption has great, as-yet untapped potential: the Lavazza Group and Yum China, the largest restaurant company in China in terms of total sales, set up a Joint Venture to explore and develop the concept of the Italian coffee shop in China, opening a first store in Shanghai and reaching over 80 points of sale opened in 2022. Today, the joint venture aims to open Lavazza coffee shops in China, 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

To ensure that consumers can enjoy an excellent cup of coffee everywhere, the Lavazza Group has developed a specific range of products for the various consumption occasions.

Drawing on more than 30 years of experience with capsule-based systems and vending machines, in recent years the presence in the B2B market has been strengthened by acquiring the French ESP (Espresso Service Proximité S.A.), 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.

- **Office Coffee Service (OCS).** The Group pays very special attention and care to workplaces, and offices in particular, with an offer that includes a wide range of coffee capsules and other beverages that can offer all consumers their favourite product every day, as well as a range of designer manual coffee machines suitable for any environment. Cutting-edge systems such as the following are dedicated to this channel: Lavazza Firma, whose highly qualified supply and assistance service makes it possible to offer all the café-like variety also at the office; Flavia, by Lavazza Professional, featuring the characteristic Freshpack technology, designed to prevent cross-contamination between brews, whose innovative Odyssey 600 coffee machine with the Odyssey Cold module can dispense both hot and cold beverages and frothed fresh milk; and Lavazza Expert — designed for the North American market — which offers espresso, filter coffee and milk-based beverages. The supply and support services are provided by a network of highly selected partners. The range of OCS products is extensive and varied, suited to offices of all sizes, regardless of the number of employees.
- **Vending.** Airports, stations, universities, factories, large corporations, hospitals: however large the space or however high the footfall, the Lavazza Group can ensure the availability of its products anywhere. In-cup quality is guaranteed by the use of free-standing and table-top vending machines capable of enhancing the sensory characteristics of a wide range of blends specifically created for this channel. The range is rounded out by a dedicated line of whole-bean products with distinctive traits. The Group offers a wide range of products and services under the Lavazza BLUE brand and, for Lavazza Professional, under the Kliz brand, which has become a benchmark in sustainability thanks to its Eco Cups, fully recyclable and compostable paper cups that reduce the environmental impact by over 63% compared to the machines that use plastic cups.



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# GENERAL PERFORMANCE AND MARKET SCENARIO

Various political, geopolitical and economic events characterised the year 2022 and are destined to continue to shape the trajectory of the world economy in coming years. The war in Ukraine led to a reduction in trade with Russia, and, against the backdrop of raising inflation and supply chain bottlenecks, it also contributed to driving up energy and food prices.

Consumer inflation thus peaked at 9.1% in the USA in June, before falling, above all due to cooling energy prices. By contrast, in the Eurozone inflation climbed above 10% in October and November 2022 due to skyrocketing natural gas prices.

The renewed flaring up of inflationary pressures forced central banks to deal with the phenomenon, which until the first weeks of 2022 had mainly been considered the result of temporary imbalances caused by the after-effects of the pandemic shock. Acknowledging the risk of an inflationary spiral that would be hard to disrupt, above all in light of job market tensions, from March to December the Federal Reserve increased its key rate by 425 basis points to a range of 4.25%-4.5% and began to pare back the size of its balance sheet in June. The ECB began tightening in July, ending the year with the cost of money at 2.5% and the rate on deposits with it at 2%, while announcing that it was going to begin the process of gradually reducing the assets holdings on its balance sheet in March 2023.

Overall, global growth remained positive in 2022, as a result of the lifting of all pandemic containment measures (with the exception of China) and massive savings built up by US and European households over the past two years, which together with fiscal support measures, allowed them to meet the rising cost of living. However, in the second half of the year, tightening financial conditions, the erosion of household real incomes and higher costs for businesses began to slow the main developed economies, first in the manufacturing and industrial sectors and then in services and consumption areas, particularly in Europe.

China saw a year of slow-than-expected growth due to the continuation of its Zero-Covid Policy, which repeatedly resulted in the implementation of strict lockdowns of entire districts in the main urban centres, home to millions of people, with negative effects on domestic demand. Chinese growth was also slowed by the local real estate crisis, exacerbated by measures aimed at limiting the system's aggregate leverage. Weak consumption and the choice not to take part in sanctions against Russia limited inflationary pressure, allowing the Chinese central bank to maintain a moderately, selectively expansionary monetary policy.

The year 2022 was also important from a political standpoint. In the United States, the Republican Party received less support than expected in the mid-term elections, gaining a narrow majority in the House and failing to retake the Senate, which remained in Democratic hands, albeit by a single seat. In France, Macron was re-elected President, but his centrist alliance failed to gain a majority in parliament. In Italy, at the end of July, a few months from the end of the legislature, the national unity majority that supported the Draghi government was dissolved and the former ECB President tendered his resignation. In the subsequent elections on 26 September, the centre-right coalition gained a majority of the votes, and on 22 October the government led by the head of the Brothers of Italy Party, Giorgia Meloni, took office. Finally, in China Xi Jinping was re-elected to lead the country, while in Brazil the left-wing candidate, Lula (former President from 2003 to 2011), defeated the outgoing President Bolsonaro.

As may be seen, Lavazza's business is set against the backdrop of, and develops within, a complex scenario, where various interdependent factors have consequences of varying intensity for the Group's operations. Within this scenario, various sustainability macro-trends play a role of primary importance in influencing the Group's strategic decisions.

The coffee industry faces multiple interrelated challenges: increasing coffee yields and profitability, safeguarding the environment, integrating new technologies for agricultural research and biodiversity, mitigating and containing the effects of climate change, encouraging youth and women's empowerment in growing coffee in producer countries, and respecting human rights throughout the supply chain. The European regulatory scenario surrounding these issues is increasingly challenging.

Small agricultural businesses, often family-size, currently represent 75% of coffee growers. The main challenge for the sector is to achieve economic sustainability for those who work upstream the supply chain, which is increasingly abandoned by young people, resulting in a higher average age of growers, currently standing at around 55. Developing the economic sustainability of small growers is viewed as essential to strengthening an increasingly diversified, growing sector. In addition, coffee is among the crops most vulnerable to the impacts of climate change: higher temperatures, irregular rainfall and more frequent and intense extreme meteorological events risk reducing, or even eliminating, the adaptability of growing areas. Climate change can thus influence the geographical distribution of coffee-growing areas, forcing growers to plant at higher altitudes, and reducing the availability of arable land and hence production capacity.



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# INDUSTRY OVERVIEW

## GROUP POSITIONING

### AT HOME BUSINESS

In 2022, the market scenario remained extremely complex: the Covid-19 pandemic emergency was accompanied by new highly destabilising geopolitical events that generated significant energy risk in Europe, contributing to trigger sharp inflation, which reached levels never seen before in the past four decades. Production chains were impacted by sharp cost increases, above all in energy, but also in all commodities and transport, which continued to rise rapidly from pre-pandemic levels. Severe geopolitical and economic instability is also undermining consumer confidence, which has reached its lowest levels in many decades.

Mass retail, which is also severely weighted down by rising costs, is reacting differently by store chain and geographical area: some are seeking to defend consumers' purchasing power by refusing all the price increases that suppliers are forced to implement, making negotiations very complex and potentially conflictual, and thus triggering consumer price wars to capture traffic; others are attempting to recover margins to cover higher costs in the short term that are jeopardising profitability.

This highly inflationary context has significant impacts on trends regarding consumers, who are seeing their purchasing power rapidly eroded. In particular, from 2021 to 2022 the percentage of consumers who associate the quality-price ratio with product high quality declined (from 44% to 36%): within this scenario, it is increasingly important for name-brand companies to ensure the loyalty of their shoppers, who while keeping their average spend equal are shifting to private-label brands or to products of lower-quality and more competitive in price terms.

After two years of growth in the At Home channel, tied in part to a shift in consumption from the Away From Home to the At Home channel due to the extended lockdowns, there were signs of a decrease by volume in the coffee market that, in the 15 largest geographical

areas for the Group, resulted in a 5.9% decline by volume compared to the beginning of the year, offset by sharp inflation by value (+8.1%). The Lavazza Group outperformed the market at large by volume, gaining 0.5 points of market share globally, while remaining in line with the previous year by value. The segment in which the Lavazza Group performed best by volume was whole-bean coffee, with an increase in cross-country market share of more than one percentage point compared to the previous year.

The Group increased its market share with its brands across almost all geographical areas, with limited exceptions due to the decrease in competitiveness caused by rising prices: one example is Italy, where the Group is the market leader and drives the growth by value compared to its competitors. By contrast, excellent performances were reported by other foreign geographical areas, where the significant increases in distribution led to solid growth by value in dynamic markets such as Denmark (+1.1 points), Germany (+0.7 points) and Poland (+0.3 points).

The easing of restrictions imposed in the various geographical areas in response to the pandemic also fostered a return to pre-pandemic purchasing habits in the e-commerce segment as well. Accordingly, the performances of home-delivery and click&collect services offered by traditional retailers also slowed compared to the increases seen in 2021. However, the growth of online purchases on pure online platforms remained robust.

In this context, Lavazza's e-commerce segment continued to grow 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 segment and by intensifying promotional activities, particularly in online platforms, as well as on the proprietary websites.

The process for evolving the business models adopted to date continued, in order to strengthen the channel's responsiveness in seizing new business opportunities.

### AWAY FROM HOME BUSINESS

#### FOOD SERVICE (HoReCa)

Consumption trends in the Food Service channel showed a sharp recovery in the business performance, which, following the severe impact seen in the previous two years, progressively returned to 2019 levels in terms of both net revenues and volumes. After the first quarter, which continued to be partially impacted by the effects of the pandemic, the performance of the business was in line with pre-pandemic levels. This positive trend accelerated sharply in the summer season, with peak volumes exceeding those of 2019.

Lavazza's performance in the Away From Home channel was driven by a robust market recovery across all segments. However, this channel has not yet recovered all its pre-pandemic market share, particularly in some regions of the world. The travel industry saw a sharp recovery since the beginning of the pandemic, although air traffic continued to be below pre-pandemic levels. Despite the gradual recovery, international tourism arrivals also remained below 2019 levels in the hospitality sector (-28% in July 2022 compared to July 2019), above all in some regions of the world. The restaurant sector recovered the most, thanks in part to the summer season, with café and restaurant consumption rebounding considerably compared to the previous two years.

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.

Thanks to increasingly extensive activities at local level, distributor countries contributed more to the channel's full recovery and the achievement of pre-pandemic volumes. Specifically, the geographical areas of Central Europe/Balkans recorded +40% by volume on 2019, with Romania, Bulgaria and Greece standing out as the greatest contributors. Iberia and Benelux also far exceeded their 2019 performances at +63%. Eastern Europe bucked the trend, suffering from the negative effect of the conflict.

Despite a sound recovery in performance in the second half of the year, Italy was unable to bridge the gap that had opened, thus remaining below its 2019 performances. By contrast, France was able to fully return to its 2019 levels due to a highly resilient market. In this scenario of gradual return to normality, the Food Service channel focused on designing medium-to-long-term strategic initiatives aimed at increasing the value of the business. These included recouping profitability in low-margin markets, increasing penetration in business areas with less distribution or with high potential, and strengthening brand equity in strategic markets.



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**OCS/VENDING**

The reversal of the consumption trend in the OCS/Vending market that had begun in 2021 consolidated in 2022: a slow, steady recovery after the severe impact caused by the pandemic and the consequent restrictions applied at the global level.

In 2020, the sector had undergone a decline of approximately -30% from pre-pandemic consumption levels. While reducing, this decrease continued in 2022 as well, standing at around -15% at the market level compared to 2019.

During the year, several structural changes in consumers' life habits were confirmed, above all with regard to the alternation of home and work habits, which inevitably impacted the channel's trends. For example:

- expanded, incentivised application of agile working policies that resulted in an inevitable reduction of Away From Home consumption;
- reduction of commuting hours, which transformed workers' traffic flows in some key points that used to represent strategic locations.

These effects, which had already influenced performance in previous years, were compounded by the consequences of the war in Ukraine, which resulted in a significant increase in energy prices, alongside a reduced availability of products and/or a rise in prices (commodities and ancillary goods), impacting operations throughout the large network of companies of various sizes that form the sector (approximately 3,000 in Italy alone).

Within this difficult context, the Group was nonetheless able to return to consumption levels in line with 2019 overall, yet with a different contribution by the various geographical areas compared to the past:

- expanding geographical areas such as Romania, Bulgaria and Northern Europe continued to grow in terms of penetration, generating performance far in excess of 2019 levels;
- the most consolidated geographical areas, such as Italy and France, continued to improve constantly in 2022, confirming the growth trend that began in 2021 and nearing pre-pandemic levels;
- the performances of geographical areas most exposed to white-collar segments, such as North America, continued to be severely impacted.



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## SIGNIFICANT EVENTS IN THE YEAR

In 2022, the Lavazza Group consolidated its international footprint and its focus on the new generations so as to enhance the brand and support future growth.

In July 2022, Lavazza acquired the remaining 20% interest in Kicking Horse Coffee Co. Ltd from the minority shareholder, thus bringing its stake in the Canadian company to 100%.

In November 2022, the Lavazza Group submitted an offer for the acquisition of a 100% stake in the French coffee seller MaxiCoffee. The MaxiCoffee Group targets both private customers and commercial businesses through its e-commerce platform, a network of 60 stores throughout France, its École du Café and its Concept Stores. MaxiCoffee offers a variety of 8,000 products from more than 350 different coffee brands (beans, ground and capsules) and a wide range of espresso coffee machines, coffee makers, grinders and accessories.

In December 2022, the Group signed an agreement to sell its majority interest in Fresh and Honest Café Ltd to Culinary Brands. Fresh and Honest Café Ltd produces and distributes coffee in India under its own brand and has a production plant in Sri City with an annual production capacity of 9,000 tonnes.

Fresh and Honest Café Ltd will be the exclusive distributor of the Lavazza brand in India.

### TAKEOVER BID FOR MAXICOFFEE GROUP IN FRANCE

### PARTNERSHIP WITH CULINARY BRANDS IN INDIA

In 2022, the Lavazza Group consolidated its international presence and its commitment to sustainability, stemming from the desire to offer excellent quality coffee that is also responsibly produced by integrating the Corporate Social Responsibility principles into all processes.

During the year, Lavazza strengthened its position as industry leader in the whole-bean espresso segment with the Espresso brand. The range — which already included the "Italiano" line, for those seeking the typical taste of espresso in all its preparations, and "Barista", for those who want to feel like a true professional even at home — has been enriched with "Espresso Maestro", the ultimate expression of Lavazza's heritage: a premium organic blend inspired by the diaries of the Founder Luigi Lavazza. The significant investments in support of the Espresso Brand continued with the Espresso Chronicles storytelling advertising campaign based on the story of Founder Luigi Lavazza, his innovative spirit and his highly contemporary vision, told through the codes of the platforms used. The story was also supported by product-dedicated content presented thanks to the collaboration of the global and local Training Centers. The campaign, launched across 7 geographies, impressed and engaged audiences, reaching 4.5 million views.

In a world where sustainability is becoming an integral part of lifestyle, the Group continued to support its ¡Tierra! brand, the perfect combination of excellence in taste and sustainability. Through ¡Tierra!, Lavazza supports the Lavazza Foundation in its commitment to sustainable coffee cultivation that respects the planet and people. With this approach, the documentary on the Amazon Rainforest was shot in partnership with Amazon Prime: "Amazonia – The Final Season".

Ben Harper, former protagonist of the Calendar and the ¡Tierra! campaign in Italy, gave a voice to the Amazon Rainforest, accompanying the images and the story of the Lavazza and CESVI Foundations' projects dedicated to reforestation. The documentary launches an important message: we can all act to create a virtuous circle and protect the Amazon Rainforest, which is vitally important for everyone.

The impact of this activity was positive, not only for the positioning of the product range, but also in terms of the perception of the brand as a supporter of sustainability values (up to +15pps compared to the positive perception of Lavazza as a committed brand).



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This is the message behind "Blend for Better", which represents and conveys Lavazza's commitment to environmental, economic and social sustainability.

The communication strategy of "Blend for Better" therefore wants to create awareness about important issues, conveying information of the positive change to generate a virtuous circle.

With this objective, a series of initiatives were launched throughout the year, with a specific focus on the under-35 target group, which is most interested to these issues:

#### BLEND FOR BETTER

**BLEND FOR BETTER**  
The "Blend for Better" soundtrack created with a famous producer – MACE – and a special orchestra that created and played instruments made with materials and products from areas of the Lavazza Foundation projects.

#### EARTH DAY - EMBRACING VENICE

During Earth Day on April 22, a real take-over took place on the city's canals. A new fresco created by artist Saype, floating on the water of Canal Grande, invited people to safeguard the planet and its cultural heritage — an exemplary demonstration of the Lavazza Group's social and environmental commitment.

#### LAVAZZA ARENA - ROBLOX GAME

To tell the story of the "Blend for Better" world, Lavazza explored the metaverse to strengthen the engagement and tap into the younger target audience.

A Lavazza universe linked to a soccer game was built, with a deforested field at the centre.

Starting from an assumption that concerns everyone — namely that in 2020 every 20 seconds an area of the Amazon Rainforest the size of a football pitch disappeared — users were invited to play to virtually reforest this football pitch, as CESVI and the Lavazza Foundation, which actually operate in the Amazon rainforest, have been doing for some time.

During the day celebrating the Amazon Rainforest, the launch of this world was announced on Roblox, through different platforms with streamers and live streams on Twitch, TikTok and Instagram, as well as through ambassadors of the calibre of Claudio Marchisio and Giorgio Chiellini.

This ecosystem has further enhanced the message, generating over 655 thousand plays in just over a month and more than 10 million views of the dedicated content.

#### THE REVIVED RECIPES - FOOD FOR SOUL

In partnership with Food for Soul and Chef Ambassadors Massimo Bottura, Carlo Cracco and Norbert Niederkofler, Lavazza linked up with a very special occasion of the year, Halloween, creating a surprising project to capture the attention of the audience and significantly reinforce the message against food waste: on the night of monsters, amidst zombies and vampires, food waste is what we really have to be afraid of and fight against every day.

Through the recipes of the three Great Chefs, made with ingredients that would normally have been wasted, users were invited to get involved, generating 285 thousand views of the Chefs' content.

## BLEND FOR BETTER

The 2023 Calendar by Alex Prager has also chosen to adopt a message that represents the "Blend for Better" commitment in its broadest sense: YES! we're OPEN is an encouragement to get close to one another that characterises places that are so iconic for everyone like cafés all around the world. It is an invitation to enter the world as we would like it to be and to enjoy a pleasant and convivial experience, staging the beauty of a humanity that is rediscovering its vitality and curiosity, expressing an individuality that is not individualism, but rather a facet and unique quality of every human being.

## YES! WE ARE OPEN 2023 CALENDAR



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Lavazza's commitment to sustainability also continues in the capsule world with the launch of Lavazza Nespresso compatible aluminium capsules with zero CO2 impact, a range that combines the Group's sustainability commitment with the quality, excellence and inimitable taste of the Italian Lavazza coffee iconic products.

The launch was supported by a successful communication campaign that revolved around the "Excellence for a better world" concept, both through the advertising campaign — which especially in Italy played on the concept of Zero as a valuable number, rich in meaning because it is linked to the capsules' Zero CO2 impact — and through a social and digital project: a journey into the world's most important squares, recreated with miniatures to convey the dream of worldwide communication with a minor impact.

The platform generated considerable consensus, also thanks to the creation of a miniature world where Lavazza NCC capsules were the protagonists of a story that will continue in 2023. The story, which has already garnered 15.2 million views, focused on the brand's positioning in the world of sustainability and on the actions taken in the field of product carbon neutrality.

Since July 2022, the Lavazza A Modo Mio proprietary system has also been committed to sustainability with the launch of the new Tiny Eco, the first Lavazza low-energy consumption machine made with 61% recycled plastics, and the launch of the new ¡Tierra! BIO compostable capsules. The new sustainable range was presented during the Nitto ATP Finals tennis event, where Lavazza "plays on its own ground" as a Platinum Partner. It was an occasion for Lavazza to reiterate its all-round sustainability commitment and its application of circular economy principles.

In 2022, Lavazza once again strengthened its link with the world of tennis, recommitting to the main Grand Slam tournaments until 2025 to continue to support the brand's international growth, as it has done in the past 10 years.

During the current season, Lavazza has achieved extraordinary results by bringing the experience of authentic Italian espresso to more than 3 million people and setting new records at all the tournaments.

NEW  
**TINY ECO**  
A MODO MIO



## REAL ESTATE

The first few months of 2022 saw the finalisation of the sale of a property that housed the former headquarters of Luigi Lavazza S.p.A. in Turin, for which a preliminary sale contract had been signed in the previous year and which had been consistently reclassified among tangible assets held for sale.

During the year, numerous projects were completed to renovate and improve the Nuvola headquarters and the offices serving the plants, such as: the enhancement of an office building adjacent to the Turin plant, through the complete renovation of the air conditioning systems and construction of a new ventilated façade with thermal insulation; the completion of the R&D laboratories, with an additional 300 square metres; the electrification of 60 parking spaces in Nuvola and 10 in the Innovation Center car park, in line with the project to convert a large part of the company fleet from endothermic to electric or hybrid engines.

In Italy, a new commercial site was built in Padua, in the Veneto region, with an adjoining Training Center, in a building owned by the subsidiary Nims S.p.A.

At international level, the activity focused mainly on the creation or renovation of the Training Centers in the United States and Asia.

In 2022 the layout of the working spaces continued to be maintained 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 working from the office, widespread use of home working, restricted use of meeting rooms, communal areas and collective catering spaces.



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## INDUSTRIAL INVESTMENTS

Industrial investments in Italian plants increased compared to the previous year.

In the Turin plant, the setting up of a new line dedicated to aluminium capsule production was completed and important projects were finalised for the Roast & Ground segment that involved optimising the current roasting machine inventory and expanding the production of packaged coffee beans.

In the Gattinara plant, an important project was finalised to increase the productivity of the A Modo Mio capsule production lines.

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

In the Group's pursuit of innovation, environmental sustainability plays a fundamental role. It is managed through an integrated scientific process, from coffee beans to the cup, within which the Group has outlined a structured strategy that aims to keep its environmental impact to a minimum: the Roadmap to Zero. This path represents the core of the initiative, which involves gradually neutralising the Group's CO2 emissions through programmes for measuring, reducing and offsetting residual emissions that cannot be reduced. The Roadmap to Zero also includes the

Packaging Roadmap, which aims to minimise all types of CO2 emissions within the Group's direct control, with the goal of making the entire packaging portfolio reusable, recyclable or compostable by 2025.

As regards emission reduction, 100% of the electricity used by the Italian, French, Canadian and English plants is powered by renewable sources. In 2020, the reduction activities, along with the offsetting process, had resulted in the neutralisation of Scope 1 and Scope 2 emissions, i.e., those under the direct control of Lavazza Group companies. The process continued in 2022 with the gradual offsetting of indirect Scope 3 emissions, i.e., those due to activities not under direct company control.

All investments made in these fields were in line with the Sustainable Development Goals 12: Responsible Consumption and Production and 13: Climate Action, defined in the UN 2030 Agenda — both of them a priority in the Group's sustainability strategy.

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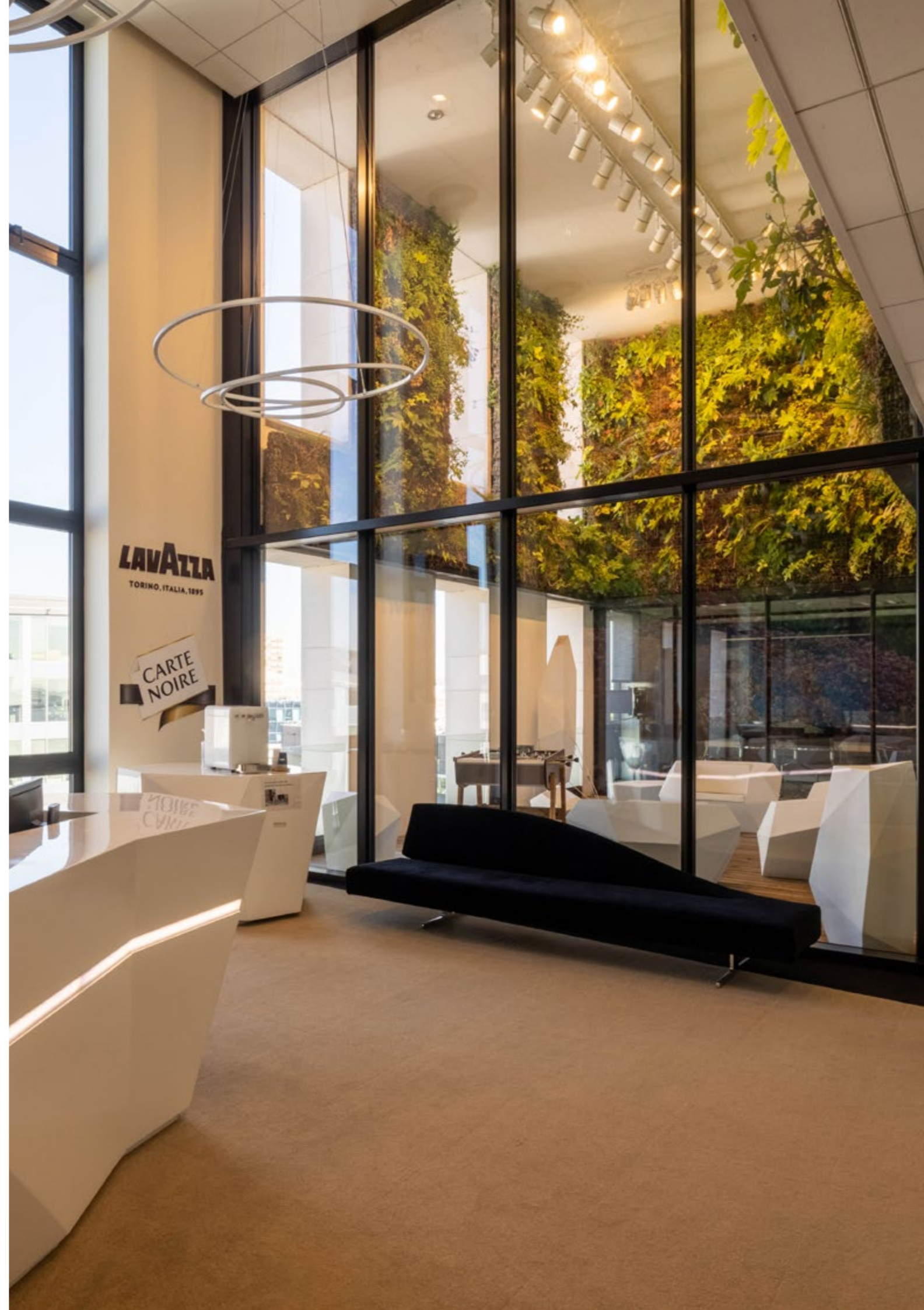
# FINANCIAL PERFORMANCE OF THE LAVAZZA GROUP

In 2022, within an economic scenario that featured some elements of complexity due to the general global macroeconomic and political context, the Group achieved a positive operating performance, with a further increase in turnover compared to the previous year.

Revenues grew by 17.6% compared to 2021 and net financial position remained positive at €136 million, confirming the Group's financial solidity.

The inflationary trend that characterised 2022 impacted the balance sheet items and particularly the increase in net working capital due to the appreciation of inventory, bringing the cash flows generated by operations into slightly negative territory for €8 million.

REVENUES AT  
**+17.6%**  
COMPARED TO 2021



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# CONSOLIDATED OPERATING, CAPITAL AND FINANCIAL SITUATION OF THE LAVAZZA GROUP

## RECLASSIFIED STATEMENT OF PROFIT OR LOSS

€ million	YEAR 2022	RATIO %	YEAR 2021	RATIO %	CHANGE	CHANGE %
Net revenues	2,715.5	100.0%	2,308.4	100.0%	407.1	17.6%
Cost of sales	(1,794.8)	-66.1%	(1,385.8)	-60.0%	(409.0)	29.5%
<b>GROSS PROFIT</b>	<b>920.7</b>	<b>33.9%</b>	<b>922.6</b>	<b>40.0%</b>	<b>(1.9)</b>	<b>-0.2%</b>
Promotional and advertising costs	(212.0)	-7.8%	(229.9)	-10.0%	17.9	-7.8%
Selling costs	(203.2)	-7.5%	(183.3)	-7.9%	(19.9)	10.9%
General and administrative expenses	(287.9)	-10.6%	(292.6)	-12.7%	4.7	-1.6%
Research and development costs	(16.6)	-0.6%	(15.8)	-0.7%	(0.8)	5.1%
Other operating income (expense)	(28.1)	-1.0%	(31.7)	-1.4%	3.6	-11.4%
Non-recurring income (expense)	(2.0)	-0.1%	-	0.0%	(2.0)	-
Income (losses) for investments in JVs and associates	(11.3)	-0.4%	(5.7)	-0.2%	(5.6)	98.2%
<b>EBIT</b>	<b>159.6</b>	<b>5.9%</b>	<b>163.6</b>	<b>7.1%</b>	<b>(4.0)</b>	<b>-2.4%</b>
Of which amortisation and depreciation	(149.5)	-5.5%	(148.5)	-6.4%	(1.0)	0.7%
<b>Of which EBITDA</b>	<b>309.1</b>	<b>11.4%</b>	<b>312.1</b>	<b>13.5%</b>	<b>(3.0)</b>	<b>-1.0%</b>
Financial income (expense)	(40.5)	-1.5%	0.2	0.0%	(40.7)	-20,350.0%
Dividends	0.9	0.0%	0.2	0.0%	0.7	350.0%
<b>PROFIT BEFORE TAXES</b>	<b>120.0</b>	<b>4.4%</b>	<b>164.0</b>	<b>7.1%</b>	<b>(44.0)</b>	<b>-26.8%</b>
Income taxes for the year	(25.4)	-0.9%	(58.5)	-2.5%	33.1	-56.6%
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>94.6</b>	<b>3.5%</b>	<b>105.5</b>	<b>4.6%</b>	<b>(10.9)</b>	<b>-10.3%</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>94.6</b>	<b>3.5%</b>	<b>105.5</b>	<b>4.6%</b>	<b>(10.9)</b>	<b>-10.3%</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>0.1</b>	<b>0.0%</b>	<b>0.4</b>	<b>0.0%</b>	<b>(0.3)</b>	<b>-75.0%</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>94.5</b>	<b>3.5%</b>	<b>105.1</b>	<b>4.6%</b>	<b>(10.6)</b>	<b>-10.1%</b>

Financial year 2022 confirmed the upward trend in turnover already recorded in previous years, with an increase of 17.6% compared to 2021.

Turnover grew both in the At Home and in the Away From Home channels. As regards the At Home channel, the sales volume rose compared to the previous year (+2%, in contrast with the shrinking At Home coffee market), mainly driven by the pricing increase introduced following the rise in raw material costs.

AT HOME CHANNEL

**+2%**

BY VOLUME  
COMPARED TO 2021

Conversely, in the Away From Home channel, despite a positive contribution resulting from the pricing increase, it was the positive volume effect (+26%) that generated the greatest growth in turnover.

The Beans segment continued to grow, confirming itself as the most dynamic on the market in 2022 as well. Taking into consideration the 15 main geographies where the Group operates, the Beans segment rose by +1.4% compared to 2021 and the Lavazza Group's market share grew (+1.5%) thanks to a 12% increase compared to 2021. In the Single Serve segment, which remained the most competitive, the Group continued to carry out its plan for the launch of aluminium capsules.

At geographical level, the Group reported sell-out growth rates by value in the retail channel in Germany (+18.1%), the United States (+14.1%) and Poland (+28%). Italy and France also increased by 1.5% and 6.1%, respectively, after the decline reported in 2021.

The Group's **EBITDA** was €309 million compared to €312 million for 2021 (-1%), virtually in line with the previous year. EBITDA margin was 11.4% compared to 13.5% for 2021.

**EBIT** was €160 million, compared to €164 million for 2021 (-2.4%), with EBIT margin at 5.9%. As for EBITDA, EBIT did not decline significantly.

**Profit** amounted to €95 million, down compared to €106 million for 2021 (-10.3%).

The decline was due to the financial component, which was impacted by the negative effect of the adjustment to the year-end market values of financial securities, by foreign exchange losses mainly due to the Euro/Dollar exchange rate trend, by charges arising from extraordinary transactions such as the future sale of the majority stake in Fresh and Honest Café Ltd and the acquisition of the minority stake in Kicking Horse Coffee Co. Ltd.

Financial expense grew by €40 million, partially offset by the positive change in income taxes, which declined by €33 million mainly thanks to the lower taxes of Luigi Lavazza S.p.A.

AWAY FROM HOME  
CHANNEL

**+26%**

BY VOLUME  
COMPARED TO 2021

EBITDA € **309**  
MILLION

EBIT € **160**  
MILLION

NET PROFIT € **95**  
MILLION



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## SALES PERFORMANCE

The Group's revenues grew by 17.6%, with a positive performance in all the channels (Retail +13.1%; Food Service +41.3%; OCS/Vending +19.7%). With specific reference to the Retail channel, the segment with the most sustained growth was Roast & Ground, while capsule turnover was impacted by the transition from plastic to aluminium, currently underway.

With reference to Italy, in the At Home channel the market share declined slightly both by volume, which stood at 38.1% (-0.6 percentage points compared to 2021), and by value, which stood at 32.7% (-0.9 percentage points compared to 2021).

Lavazza's market share in the Roast & Ground segment grew slightly by volume to 44.5% (+0.5 percentage

points compared to 2021), whereas the market share by value was in line with the previous year at 46.4%.

The Away From Home channels recorded a consistent recovery compared to 2021, in particular Food Service, which reported very significant growth over all geographical areas (+83% in the USA, +49% in France and +24% in Italy) due to the channel's return to full capacity after the Covid pandemic.

Also the OCS/Vending business grew in all main geographies: as regards Lavazza Professional, in 2022 the turnover of the European companies rose by 18% and that of the US companies by +44% compared to 2021.



## CAPITAL AND FINANCIAL SITUATION

### RECLASSIFIED STATEMENT OF FINANCIAL POSITION

€ million	31.12.2022	31.12.2021	CHANGES
Inventories	648	446	202
Trade receivables	271	260	11
Trade payables	(500)	(413)	(87)
Other assets (liabilities)	39	(29)	68
<b>Total net working capital</b>	<b>458</b>	<b>264</b>	<b>194</b>
Property, plant and equipment	593	601	(8)
Intangible assets	1,411	1,406	5
Right of use	157	168	(11)
Non-current financial assets	35	60	(25)
Deferred tax assets/liabilities	(3)	(8)	5
Provisions	(165)	(160)	(5)
Provision for employee severance indemnities	(62)	(86)	24
<b>Total net fixed assets</b>	<b>1,966</b>	<b>1,981</b>	<b>(15)</b>
<b>Net assets (liabilities) held for sales</b>	<b>20</b>	<b>6</b>	<b>14</b>
<b>TOTAL INVESTED CAPITAL</b>	<b>2,445</b>	<b>2,251</b>	<b>193</b>
<b>Equity</b>	<b>2,581</b>	<b>2,534</b>	<b>47</b>
Financial receivables and other non-current assets	(58)	(32)	(26)
Current financial assets	(380)	(378)	(2)
Cash and cash equivalents	(331)	(707)	376
Payables to banks and other non-current liabilities	413	615	(202)
Payables to banks and other current liabilities	220	218	2
<b>Total net financial position</b>	<b>(136)</b>	<b>(283)</b>	<b>147</b>
<b>TOTAL FINANCING SOURCES</b>	<b>2,445</b>	<b>2,251</b>	<b>194</b>

**Net working capital** amounted to €458 million, up €194 million compared to €264 million at 31 December 2021. This change was attributable to the following factors:

- an increase in the value of inventories (€202 million), mainly due to the combined effect of (i) the rise in the price of green coffee, and (ii) greater inventory stocks, in terms of volumes, compared to the previous year;
- an increase in trade receivables of €11 million, which was consistent with the turnover expansion, taking into account the partial disposal of receivables by the Parent Company for approximately €25 million;
- an increase in trade payables of €87 million, which reflected the general increase in activities and costs in the last part of the year, with the consequent rise in the related payables.

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**Net fixed assets** totalled €1,966 million, compared to €1,981 million at 31 December 2021.

Property, plant, equipment and intangible assets and rights of use changed compared to the previous year due to the effect of the year-end exchange rate adjustment of assets denominated in foreign currency (mainly US Dollars) positive for approximately €25 million, offset by the negative balance of depreciation and amortisation for the year, which exceeded net investments.

Financial assets decreased mainly as a result of the disposal of the investment in INV. A.G. S.r.l. in 2022 (€12 million) and the fair-value adjustment of the Group's investments (€11 million referring to the joint venture with YUM).

Provision for risks and charges and deferred tax assets/liabilities did not change significantly compared to the previous year.

Provisions for employee benefits decreased by €24 million, mainly due to the adjustment to the year-end

actuarial values of the provisions for employee severance indemnities and the provisions for pensions and similar obligations of Lavazza Professional Germany G.m.b.H., in addition to the normal adjustment for the other Group companies.

These effects are reflected in the movement of equity reserves and other comprehensive income components.

**Net assets (liabilities) held for sale** refer to an industrial building owned by Luigi Lavazza S.p.A. for €5 million and to net assets (liabilities) totalling €15 million overall regarding to the subsidiary Fresh and Honest Café Ltd, 100% controlled at year-end and of which a 76% interest was sold in January 2023. Assets held for sale of Fresh and Honest Café Ltd also include the subsidiary's cash and cash equivalents amounting to €4 million, which were recognised under net financial position in the previous year.

## RECLASSIFIED STATEMENT OF CASH FLOWS

€ million	YEAR 2022	YEAR 2021
<b>PROFIT FOR THE YEAR</b>	<b>95</b>	<b>106</b>
Income taxes	25	58
Financial expense/(income)	5	5
Value adjustments to financial assets and liabilities	30	(1)
(Gains) losses from disposal of assets	4	(1)
Additions to provisions, employee benefits and other non-monetary components	57	91
Amortisation, depreciation and write-downs	152	151
<b>RESULT ADJUSTED FOR NON-MONETARY COMPONENTS</b>	<b>368</b>	<b>409</b>
Change in trade receivables	(13)	(13)
Change in inventories	(206)	(36)
Change in trade payables	98	80
Change in other receivables/payables	(30)	(1)
<b>CASH FLOWS AFTER CHANGES IN NET WORKING CAPITAL</b>	<b>217</b>	<b>439</b>
Taxes paid	(60)	(54)
Use of provisions and indemnities paid	(40)	(40)
Interest and dividends collected, interest (paid)	(1)	(7)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>116</b>	<b>338</b>
Purchase of property, plant and equipment	(102)	(109)
Purchase of intangible assets	(22)	(26)
Other disbursements for investment activities	(5)	-
Acquisitions	(5)	(31)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(134)</b>	<b>(166)</b>
Dividends paid	(43)	(33)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(43)</b>	<b>(33)</b>
Other scope and non-monetary changes	(81)	50
Exchange rate effect	(1)	(8)
Cash and cash equivalents classified to assets held for sale	(4)	-
<b>CASH FLOWS GENERATED (USED)</b>	<b>(147)</b>	<b>181</b>
<b>Net financial position at year-start</b>	<b>283</b>	<b>102</b>
<b>Net financial position at year-end</b>	<b>136</b>	<b>283</b>

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**Net financial position** was positive for €136 million compared to €283 million in December 2021, nearing the levels reported at 31 December 2020, when it amounted to €102 million.

As evidenced by the graphical analysis below, discretionary cash generation from core activities was negative for €8 million compared to a positive €203 million the year before. 2021 had been an exceptional year in terms of cash generation and, despite the slowdown recorded in 2022, the Group maintained a largely positive net financial position, confirming good financial solidity.

In detail, the €309 million EBITDA inflows were offset by the €151 million decrease in net working capital and the €124 million net investments in operating activities (€124 million), as well as by taxes and interest expense (€61 million); by contrast, the change in provisions and non-monetary components contributed positively to the discretionary cash generation for a total of €19 million.

**Net investments** in operating activities amounted to €124 million overall and can be broken down as follows:

- investments in property, plant and equipment (€106 million), mainly involving plant, industrial machinery and coffee machines on free loan for use;
- investments in intangible assets (€22 million), primarily due to development costs incurred in order to adapt and implement the Group's IT systems;
- disposals of property, plant and equipment recognised as a reduction of investments amounting to €4 million.

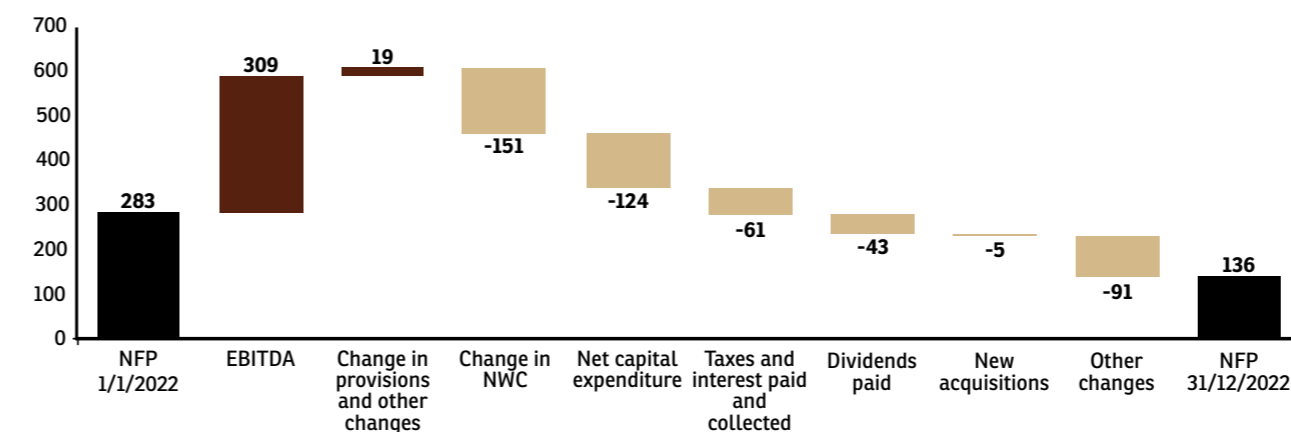
The change in net financial position was chiefly attributable to the following non-operating items:

- dividend payout for a total of €43 million;
- other changes mainly related to financial components (measurement 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" was negative compared to the positive value reported in the previous year, mainly as a result of the movement of the cash flow hedge reserve.

The €41 million negative movement of the cash flow hedge reserve was attributable to the effect of green coffee price hedging strategies and the effects of the foreign exchange derivatives portfolio (in particular due to the performance of the US Dollar against the Euro) that generated financial effect in 2022 and the economic effects of which, as a result of the application of *hedge accounting*, are deferred to 2023 (in conjunction with the accounting recognition of hedged supplies).

The following is a reconciliation between the net financial position at 31 December 2021 and the net financial position at 31 December 2022:



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## RISK MANAGEMENT

The Group has adopted an internal control system consisting of organisational rules, procedures and structures that allow the business to be run properly and in line with the goals set through a process for identifying, measuring, managing and monitoring the main risks.

This internal control and risk management system aims at 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 2022 as well, the Group continued to apply the ERM

framework with a view to identifying, managing and mitigating risks, preserving value creation and ensuring the achievement of the Group's objectives.

In addition, the ERM process was expanded to include an analysis of ESG risks, on the basis of the guidelines set by the World Business Council for Sustainable Development (WBCSD) and the Committee of Sponsoring Organizations (CoSO) framework, and in the footsteps of the most rigorous, established international principles applicable, adopted in accordance with the industry and business model of reference.

## EXCHANGE RATE RISK

The outbreak of the war between Russia and Ukraine on 24 February severely disrupted the year 2022. The conflict caused a deep shift in present and future geopolitical balances — above all on the energy market, due to the strong dependency of Europe on Russian gas — and in the European Union's growth prospects for 2022 and 2023.

The first consequences of the Russian invasion were a series of sanctions applied by the European Union, the United States and G7 countries that impacted individuals, companies and banks. After an initial severe depreciation of the Rouble (which reached 153.87 to the Euro on 7 March), the strict controls imposed by the Russian Central Bank and the substantial disruption of a significant share of trade with Russia drove the currency back up to around 55-70, where it has traded since May.

In 2022, inflation also climbed to levels that had not been seen in either Europe or the United States for over four decades.

In response to the overheating of the economy, both the Federal Reserve and ECB began to raise their benchmark rates.

From the standpoint of GDP, abrupt slowdowns began to be seen, above all in Europe, which suffered from high energy prices and lower exports to China, hobbled by its Zero-Covid Policy, with constant lockdowns that caused production halts, a severe decline in domestic

consumption and widespread protests, in addition to driving onshoring/relocation to other Asian countries by many European and US companies.

The consequences on the foreign exchange market affected above all the Euro, which suffered the impact of a progressive decline in gas flows and the return of the Dollar as a safe-haven asset for investors. From the high of 1.1464 reached on 4 February, the Euro weakened to a low of 0.9565 on 28 September. The average annual exchange rate was 1.0571.

The volatility of the EUR/USD exchange rate essentially doubled, rising from 5.6% at six months at the beginning of the year to 10.9% in November.

As in previous years, currency risk for raw material purchases were hedged primarily through forward purchases.

In addition, the most significant foreign currency exposures, arising from sales in countries using currencies other than the Euro, were monitored and hedged. No speculative transactions were undertaken in managing exchange rate risks.

## INTEREST RATE RISK

In 2022, the central banks of all major countries (except for Japan and a few other countries) raised interest rates, a process that the Bank of England had already begun in the previous year, in which it was followed by the Federal Reserve and the ECB.

The Federal Reserve began to raise its rates in March. During the year, it introduced seven hikes overall, for a total of 425bps, bringing its key rate to 4.5%.

The ECB announced the first increase in July, followed by three more hikes, raising the rate by 250bps overall to 2.5%.

In 2021, the Federal Reserve had already begun tapering — its plan to pare back government bond purchases — whereas the ECB ended its Quantitative Easing on 1 July 2022. At the same time, to avoid increasing the spreads of peripheral EU countries, the ECB introduced its TPI (Transmission Protection Instrument), also known as the "anti-spread shield". The ECB will make secondary-market purchases of government bonds in countries experiencing a deterioration in financing conditions not warranted by country-specific fundamentals.

In December 2021, it was also announced that Quantitative Tightening would begin in March 2023. Compared to the previous year, the USD rate curve shifted upwards by over 400bps on maturities up to 12 months, with the curve positively inclined up to one year, after which the curve is inverted, implicitly pricing in the probability of a recession and rate cuts.

The yields on ten-year US Treasuries started 2022 at 1.42% and then gradually rose along with the Federal

Reserve's rate hikes, reaching a high of 4.24% on 24 October. Yields then retraced part of their gains when inflation fell in September, leading to expectations of a less aggressive approach by the Federal Reserve. At year-end, they stood at 3.7%.

By contrast, ten-year Bunds returned to positive territory in February, after beginning the year still at a negative -0.38%. They continued to rise, reaching an initial peak in June at 1.78% and then fell to 0.77% in the summer when the NordStream pipeline was disrupted, before climbing to a high of 2.41% on 21 October. The concerns of a slowdown in Europe and a probable recession in 2023 then drove them back down to 2.17%.

The Euro rate curve also shifted upwards compared to one year earlier, with an increase of between 200 and 300bps. The peak could be seen at 12 months, after which the curve flattened.

After beginning the year at 133, the ten-year BTP-Bund spread fluctuated as a result of the ECB's decisions (rate increases, end of QE, announcement of the TPI) and the Italian elections. The high of 252 was reported on 27 September, after which the conservative, pro-European approach taken by the Meloni government and the draft of the Budget Law reassured markets, lowering the spread to around 189.

All existing loans were previously converted to fixed rates using derivative financial instruments (interest rate swaps).



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## COMMODITY PRICE RISK

After a particularly complicated 2021 due to the logistics issues caused by the resumption of growth and rising inflation, in February 2022 the commodities sector was influenced by the Russia-Ukraine conflict, which had disruptive effects on many segments until the summer: cereals, metals, fertilisers, gas, oil, etc.; both countries are significant producers and exporters of many commodities.

After the initial flare-up, which, for example, drove wheat to reach a peak increase of 80% in March, many commodity prices fell once more due to concerns relating to the loss of purchasing power caused by inflation and the slowdown at global level, and particularly in China. The Bloomberg global commodities index rose by +19% compared to the beginning of the year, driven mainly by the energy sector, which stood at +53% compared to January.

Coffee was not particularly impacted by the ongoing conflict; instead, it followed autonomous drivers.

Arabica began 2022 at 223 \$cts/lb and early in the year was affected by the unforeseeable nature of the Brazilian harvest, which was to begin in May and had suffered the 2021 July frost. After a peak of 258 \$cts/lb on 9 February, prices remained within a trading range of 200 \$cts/lb to 250 \$cts/lb until mid-October. The stronger-than-expected harvest and concerns of demand held back by inflation then triggered an initial decline, which gained momentum in October after the rains came and the plants then flowered, indicative of a strong harvest in Brazil for the following year. The price of the first position reached a low of 151 \$cts/lb on 18 November, to close the year at 167 \$cts/lb.

There continue to be concerns regarding production in Columbia, hit by excessive rains.

Despite benefiting from the excellent harvests of Conilon in Brazil and Vietnam, Robusta partly reflected the performance of Arabica in 2022: it declined by 24% compared to the beginning of the year, against the -32% recorded by Arabica. This was dictated by the fact that many roasters made greater use of Robusta in their blends, significantly reducing the coffee for export.

When the market opened in January, the price was 2,467 \$/t. It fluctuated but remained above 1,900 \$/t until October, when it reached a low of 1,808 \$/t on 16 November, followed by a slight recovery to 1,869 \$/t on 30 December.

Volatility increased on both markets in the second half of the year in conjunction with price fluctuations.

Arbitrage reached historically high levels, exceeding 156 \$cts/lb in February and remaining above 110 \$cts/lb for several months, but then falling to 77 \$cts/lb after prices fell in October and November.

One positive factor was the resolution of the logistics issues emerged in 2021, which had resulted in delays in coffee shipping.

As in the past, coffee price risk was hedged through physical price locks and derivative instruments used without speculative purposes.

## CREDIT RISK

The year 2022 will be remembered for the beginning of the Russia-Ukraine conflict, which fortunately did not have consequences in terms of credit solidity: all exposures were collected in the first half of the year. Foreign credit protection by Luigi Lavazza S.p.A. remained above 90%.

With the entry into force of Decree-Law No. 198/2021, which implemented in Italy Directive (EU) No. 2019/633 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain ("UTP Directive"), average collection times fell at the

level of both the Group and Luigi Lavazza S.p.A., with a positive impact mainly in the OCS channel.

At year-end, accounts receivable advances of €74 million were made at Group level (€31 million for Luigi Lavazza S.p.A. alone), decreasing the value of the amount receivable at year-end despite the higher turnover achieved.

## ENVIRONMENTAL SOCIAL GOVERNANCE RISKS (ESG RISKS)

The ESG risks identified can be divided into five macro-categories, namely:

- sustainable supply chain;
- development, wellbeing and people retention;
- health and safety;
- climate change;
- land use, deforestation and biodiversity.

All specific risks were analysed in terms of impact, and most of them resulted to occur upstream in the industry. Lavazza is focused on protecting its value chain in the long term and has established mitigation policies transversal to the various risk macro-categories.

For further details, reference should be made to the Sustainability Report.



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# THE HEALTH, WORKPLACE SAFETY, ENERGY AND ENVIRONMENT MANAGEMENT SYSTEM

Within the framework of implementation of its Corporate Health, Workplace Safety and Environment Policy (Italian acronym: SSEA), the Lavazza Group has further developed the related Management System, confirming both the ISO 14001 environmental certification and the ISO 45001 occupational health and safety certification, in addition to extending the scope of the system to foreign companies. The SSEA Management System is coordinated by the HSE (Health&Safety and Environment) Department and managed through a dedicated company portal.

With regard to Luigi Lavazza S.p.A., the ISO 45001 certification was renewed for the Nuvola Headquarters, the Innovation Center, the Italian commercial sites and the Turin, Gattinara, Pozilli and 1895 plants, in addition to the Milan Flagship Store. In 2022, the Environmental Management System was extended to the Milan Flagship Store and the ISO 14001 environmental certification was renewed and currently includes the Nuvola Headquarters, the Innovation Center, the Italian commercial sites and the Turin, 1895, Gattinara and Pozilli plants, in addition to the Milan Flagship Store.

Luigi Lavazza S.p.A.'s ISO 14001 and ISO 45001 certifications were replaced by the respective Group certificates, which during the year superseded all the single-site certificates held by the Italian and foreign companies controlled by the Parent Company. Accordingly, the SSEA Group Management System, certified according to the ISO 14001 and ISO 45001 standards, was formalised during the year. It includes: Luigi Lavazza S.p.A. (Nuvola Headquarters; Innovation Center; Italian commercial sites; Turin, Gattinara, Pozilli and 1895 plants; Milan Flagship Store); Lavazza Professional (UK) Ltd; Lavazza Professional North America LLC; Carte Noire Operations S.a.s. and Cofincaf S.p.A.

The Group operated in compliance with its SSEA provisions and with the environmental permits required for the use of its production facilities.

In the area of occupational safety, there were no high-consequence work-related injuries during the year. At the level of both the Group and Italian Operations, both injury frequency and injury severity rates further declined and now represent the best performances ever recorded.

# RESEARCH AND DEVELOPMENT

In 2022, research and development took a huge leap forward in organisational, result and investment terms.

Many synergies were developed during this phase thanks to the consolidation of an organisational development based on a closer relationship between R&D functions (machines, systems and food) and geographical areas (with the machines, food and Lavazza Professional systems teams). Particular attention was paid to upskilling in the packaging area and to new approaches to speeding up innovation processes.

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, including for lower-end products.

In 2022, products were developed and launched that respect and foster biodiversity or that deliver highly refined sensory experiences through post-fermentation treatments, such as ¡Tierra! Cuba, or through barrel ageing processes, such as in the case of development of the new Qualità Oro Reserva product. Within the framework of the Joint Venture with Yum China, the product development process continued for the range specifically conceived and designed for the Chinese market and consumers, with the first launches of Campo dei Fiori and the Yunnan limited edition. On the US market, increasingly focused on cold beverages, Lavazza launched its ready-to-drink range, including a Nitro version, for which range expansion initiatives are planned to start in 2023. Consistency with the environmental sustainability issues continued to be assured by an ongoing 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 lead to a concrete and measurable plan for reducing the Group's impacts.

In 2022, an important step was taken in the area of recyclable flexible packs, moving from the concept work and preliminary validation performed in 2021 to pre-industrialisation and industrialisation at the plants in Lavérune, Gattinara and Settimo. In 2023, 90% of Lavazza products will present recyclable, sustainable packaging and packs.

The recyclables programme, which calls for significant investments, will be completed by the end of 2025, contributing to a reduction in packaging CO<sub>2</sub> emissions by around 45%.

With regard to capsules, the new AMM compostable capsules were launched that ensure a 50% reduction in capsule body weight and an ensuing 35% decrease in CO<sub>2</sub> content. Again in the capsule world, the completion phase is underway for the new aluminium compatible Nespresso®<sup>1</sup> range with neutralisation of CO<sub>2</sub> impacts through the purchase of carbon offset credits.

For Klix systems, distributed through Lavazza Professional, the range of beverages offered in paper cups (content of more than 96% and with a benefit in terms of CO<sub>2</sub> reduction of up to 60%) has been significantly expanded to replace plastic cups.

In the Home Coffee System area, coffee machine development led to the launch of new Tiny ECO, with up to 61% recycled plastic content.

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-cup quality and the commercial partners to manage the machine inventory more and more efficiently.



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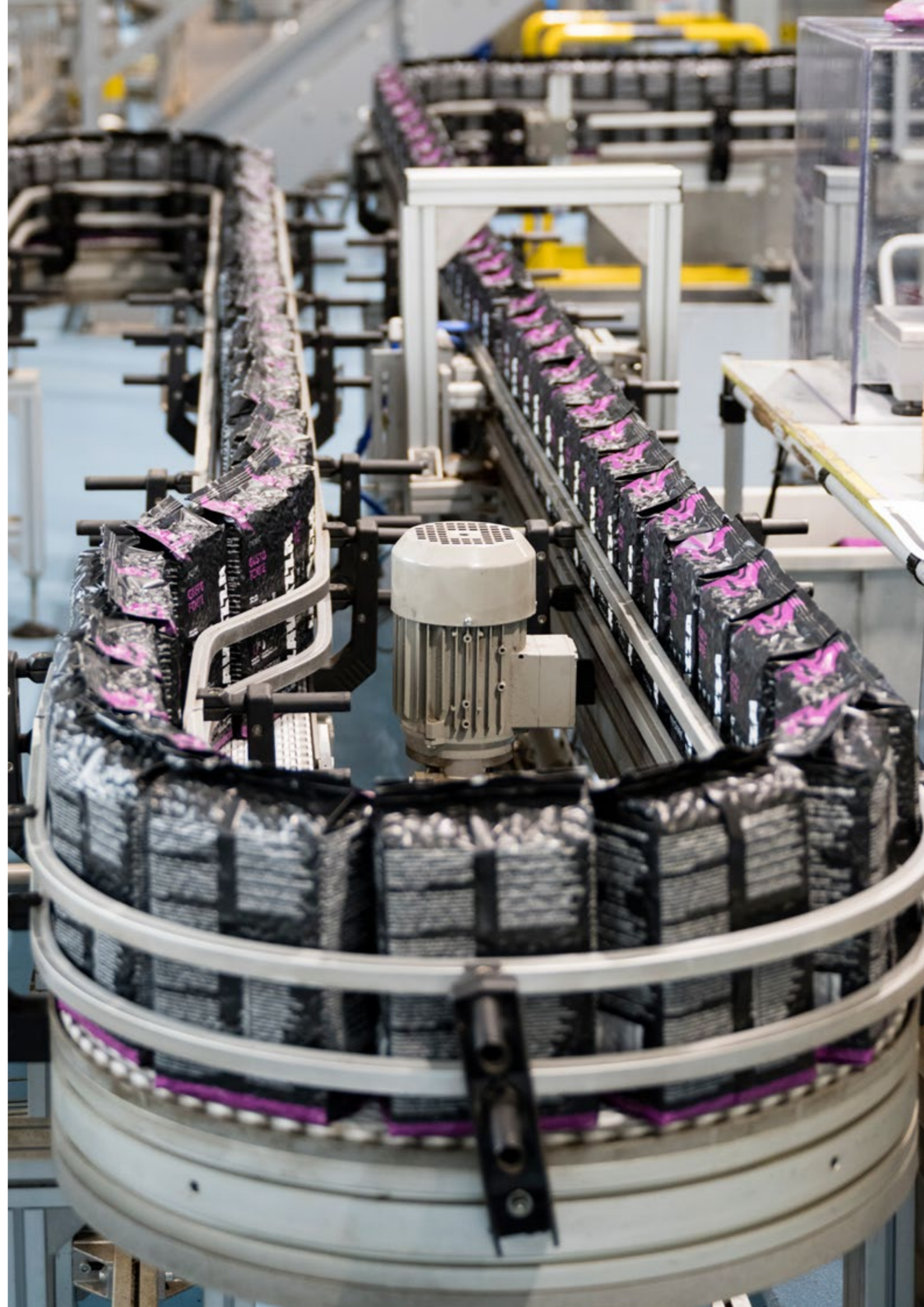
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<sup>1</sup> Lavazza is not affiliated with, endorsed or sponsored by Nespresso®.

Development continued on the new line of Flavia machines, intended for medium-volume locations. This range incorporates several characteristics already present in the upmarket model, such as a graphical interface with a touchscreen, a system for recognising the product dispensed and a telemetry system that is extremely efficient in terms of operating costs and derives from the European solution integrated into the Firma machines.

From the standpoint of coffee technologies, various projects were launched for in-depth study of degassing phenomena, roasting cycles and grind size measurement, with a view to better facility usage, efficient raw material use and, in general, continuous improvement. In terms of machines, efforts continued to focus on research into solutions with better environmental sustainability, based on CO<sub>2</sub> reduction throughout the product life cycle, including the use phase.

In order to meet consumer trends and preferences, solutions for dispensing cold recipes were further studied, in some cases with carbonation. Efforts also continued to be devoted to product connectivity with the aim of delivering an increasingly engaging, complete user experience and of maintaining constant contact with customers across channels and platforms.



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# PERSONNEL RELATIONS

The Lavazza Group is a global company with a strong presence in Italy and almost 60% of all personnel employed by foreign subsidiaries. It considers people to be its main resource, as they possess skills and passion that contribute to the Company's growth every day.

Lavazza supports people in their professional and personal development, providing learning opportunities to grow within the organisation. It welcomes people through induction programmes on products and processes and accompanies them in their professional path with corporate citizenship training initiatives, self-development opportunities consistent with individual development plans and professional family initiatives on specific skills, in line with business priorities. The Group offers structured training catalogues, both online and in the classroom, for building basic skills, enhances internal competencies for the transfer of specialist expertise and develops external partnerships to acquire new skills that are strategic for the market. The goal is to offer a work and learning environment in which cross-functional and intercultural teams can work effectively and grow continuously.

In 2022, a new Performance Management process was launched, strongly oriented towards development, providing a renewed training offer in terms of content and formats and available on demand: the total number of training hours rose to 40,000 in Italy and to 25,000 abroad, with extensive coverage at Group level and an increase in the average per-capita training hours (12 hours). To strengthen the sense of belonging and reaffirm the Group's focus on all compliance aspects, a corporate programme on the Code of Ethics and other relevant issues (e.g., whistleblowing, anti-corruption, crisis management) was promoted targeting all Group people. This is the subject of a training communication plan that will also accompany the first part of 2023.

Another Group's priority is the wellbeing of its people and the development of work-life balance tools that can accelerate the positive growth of the Company. In 2022, the headquarters supplementary contract for the 2023-2025 three-year period was renewed with an

important negotiating opportunity that, confirming the good relations between the Company and the trade unions, guaranteed HQ personnel an increasingly modern and flexible second-level contract. The changes concerned about 1,000 employees and covered aspects related to the Group's development plans, the evolution of work organisation, the enhancement of people and corporate welfare. The Lavazza Group extended remote working, giving the option of agile working up to ten working days per month and promoting the use of company spaces as a key to enhancing collaboration between colleagues. In addition to the significant actions and activities already undertaken, innovations included the introduction of the "short Friday" for 15 Fridays in the period between May and September, 16 hours per year of specific paid leave for "caregiving" and accompanying family members to medical visits, as well as 4 hours per year for veterinary visits. Furthermore, 5 days of parental leave have been added for fathers, paid by the Company, which is responsible for remuneration and full contributions for these days.

Personnel incentive system was also renewed based on financial and organisational indicators, so as to involve people in the medium- and long-term corporate strategy. In recent years, the MBO bonus has rewarded the performance of HQ personnel, reaching in 2022 its record in terms of amounts disbursed, which are always convertible at the employee's discretion into welfare package services. In addition, at the end of 2022 a special bonus of €700 was paid in the form of vouchers, fuel coupons and reimbursement of domestic utilities to cope with the higher cost of living. Personnel at the Italian production plants and the salesforce were awarded a bonus of €300 net for their commitment during the difficult year due to the energy and economic crisis. Improvements were also made to the supplementary health cover offered by Lavazza, the maximum amounts of which were adjusted upwards for the most used insurance categories, in addition to launching health prevention, wellbeing and welfare initiatives, as well as projects in the fields of training, sustainability and inclusion, with the engagement of all Group employees in Italy and abroad in the Gap Free project.

In fact, the Group is committed to promoting diversity, equity and inclusion through the Gap Free programme, a path of cultural transformation for the enhancement of diversity and the promotion of equal opportunities. The ultimate goal is to eliminate all types of discrimination and create an inclusive organisation, where everyone can express their authenticity. To this end, it was decided to adopt Goal 5 - Gender Equality as one of the priority Sustainable Development Goals, following a programmatic declaration that guides present and future actions. In 2022, the Lavazza Group continued to follow the path taken in 2020 with the launch of the Gap Free programme: a medium-long term cultural transformation path for the promotion of equal opportunities and for the elimination of all barriers so that each and every one can express their uniqueness and see it valued.

Throughout the year, the central role played by educational awareness programmes aimed at people was confirmed, with a view to increasing D&I awareness and generating a profound cultural change. In this phase, training involved the Senior Leaders of the subsidiaries, the HR population of all countries and the People Managers of the main Italian plants. A dedicated programme was also planned for Activators (Ambassadors): colleagues who promote this change, who have played and still play a fundamental role in Lavazza in the defining together and implementing the key points of the D&I strategy.

In addition, milestones in Lavazza's D&I journey in 2022 were the inclusion of specific conduct in line with the Gap Free values within the internal performance evaluation process (PDP) and the publication of the related Manifesto: the commitment to becoming a Gap Free company that was assumed as a Group towards all people, from those engaged in the communities where the Group operates to all employees.

This latter formal adoption process was extremely important, as it added a further and fundamental piece to the path taken by the Group with Gap Free to

make Lavazza a truly inclusive company, strengthening its commitment to D&I and establishing a common direction to follow through the identification of 6 commitments:

- achieving the first level of EDGE Certification by 2023 (for the Italian scope);
- achieving equal pay at Group level by 2030;
- achieving a minimum of 40% women in management positions by 2030;
- adoption of prejudice-free recruitment, remuneration and promotion procedures;
- ongoing D&I training and awareness-raising activities for all colleagues.

Moreover, in 2022 the specific organisational position of the Disability Manager was introduced and inclusion projects for people with mental disabilities were implemented both at Headquarters and at the Settimo production plant.

The ordinary component of Group personnel costs increased slightly compared to the previous year. In addition to normal remuneration dynamics, the increase was also linked to several elements such as, for example, personnel recruitment policies that took place during the year to support priority business projects and to strengthen functions' skills also in the face of heightened complexity due to the Group's global dimension, M&A projects and greater centralisation of strategic processes and activities.



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# THE PARENT COMPANY LUIGI LAVAZZA S.P.A.

The figures in this section comply with Italian GAAP (OIC).

## OPERATING AND FINANCIAL PERFORMANCE OF LUIGI LAVAZZA S.P.A.

The following table shows Luigi Lavazza S.p.A.'s operating and financial highlights at 31 December 2022 compared with the previous year:

€ million

	YEAR 2022	RATIO %	YEAR 2021	RATIO %
Net revenues	1,939.2	100.0%	1,660.7	100.0%
EBITDA	172.4	8.9%	236.5	14.2%
EBIT	58.6	3.0%	111.2	6.7%
Profit before taxes	74.4	3.8%	135.7	8.2%
<b>Profit for the year</b>	<b>68.8</b>	<b>3.5%</b>	<b>103.6</b>	<b>6.2%</b>
Net working capital	556.2		409.4	
Net fixed assets	2,225.3		2,222.9	
<b>Total uses</b>	<b>2,781.5</b>		<b>2,632.3</b>	
Net financial position	386.7		233.9	
Equity	2,394.8		2,398.4	
<b>Total sources</b>	<b>2,781.5</b>		<b>2,632.3</b>	
Capex	65.8		64.5	
Headcount	1,790		1,781	
<b>ROS</b>	<b>3.0%</b>		<b>6.7%</b>	
<b>ROI</b>	<b>4.7%</b>		<b>9.8%</b>	
<b>ROE</b>	<b>2.9%</b>		<b>4.3%</b>	

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## RECLASSIFIED STATEMENT OF PROFIT OR LOSS OF LUIGI LAVAZZA S.P.A.

€ million

	12.2022	RATIO %	12.2021	RATIO %	CHANGES	CHANGES %
Net revenues	1,939.2	100.0%	1,660.7	100.0%	278.5	16.8%
Other income and revenues	144.7	7.5%	129.9	7.8%	14.8	11.4%
<b>Total income and revenues</b>	<b>2,083.9</b>	<b>107.5%</b>	<b>1,790.6</b>	<b>107.8%</b>	<b>293.3</b>	<b>16.4%</b>
Cost of sales	1,035.3	53.4%	756.3	45.5%	279.0	36.9%
Costs of services	662.5	34.2%	580.2	34.9%	82.3	14.2%
Other costs	40.2	2.1%	43.3	2.6%	(3.1)	(7.1%)
<b>Total external costs</b>	<b>1,738.0</b>	<b>89.6%</b>	<b>1,379.8</b>	<b>83.1%</b>	<b>358.2</b>	<b>26.0%</b>
<b>Value added</b>	<b>345.9</b>	<b>17.8%</b>	<b>410.8</b>	<b>24.7%</b>	<b>(64.9)</b>	<b>(15.8%)</b>
Personnel costs	173.5	8.9%	174.3	10.5%	(0.8)	(0.5%)
<b>EBITDA</b>	<b>172.4</b>	<b>8.9%</b>	<b>236.5</b>	<b>14.2%</b>	<b>(64.1)</b>	<b>(27.1%)</b>
Amortisation, depreciation and write-downs	105.8	5.5%	102.1	6.1%	3.7	3.6%
Provisions	8.0	0.4%	23.2	1.4%	(15.2)	(65.5%)
<b>EBIT</b>	<b>58.6</b>	<b>3.0%</b>	<b>111.2</b>	<b>6.7%</b>	<b>(52.6)</b>	<b>(47.3%)</b>
Income (expense) from investments	32.4	1.7%	25.5	1.5%	6.8	26.8%
Financial income (expense)	(16.5)	(0.9%)	(1.0)	(0.1%)	(15.6)	1,605.9%
<b>Profit before taxes</b>	<b>74.4</b>	<b>3.8%</b>	<b>135.7</b>	<b>8.2%</b>	<b>(61.3)</b>	<b>(45.2%)</b>
Income taxes	(5.6)	(0.3%)	(32.1)	(1.9%)	26.5	(82.6%)
<b>Profit for the year</b>	<b>68.8</b>	<b>3.5%</b>	<b>103.6</b>	<b>6.2%</b>	<b>(34.8)</b>	<b>(33.6%)</b>

**Net revenues** amounted to €1,939.2 million, up 16.8% compared to €1,660.7 million for 2021.

**EBIT** was €58.6 million, down €52.6 million compared to €111.2 million for 2021. EBIT margin worsened going from 6.7% to 3.0%.

**Profit before taxes** amounted to €74.4 million, down by €61.3 million compared to €135.7 million for the previous year, due to the increase in the costs of green coffee and packaging, energy, natural gas and logistics costs and the negative components relating to the reorganisation of Lavazza Professional's operations in the USA and Europe, which entailed the centralisation of strategic functions and the related risks and costs within Luigi Lavazza S.p.A.

In addition, exchange rate hedging through financial derivatives only partially offset the negative effect of the Euro/USD exchange rate, and therefore the negative balance of item "Financial income and expense" was mainly attributable to exchange losses.

**Profit for the year** amounted to €68.8 million, down €34.8 million compared to 2021, as a result of the above-mentioned events.

## RECLASSIFIED BALANCE SHEET OF LUIGI LAVAZZA S.P.A.

€ million

	2022	2021	CHANGES
Inventories	463.0	312.8	150.2
Trade receivables	92.7	115.1	(22.4)
Receivables from subsidiaries, associates and Parent	344.0	279.3	64.7
Deferred tax assets	102.2	59.9	42.3
Other prepayments and accrued income	46.3	37.1	9.2
Property, plant and equipment held for sale	5.2	6.2	(1.0)
<b>A. Total operating assets</b>	<b>1,053.4</b>	<b>810.4</b>	<b>243.0</b>
Trade payables	335.2	278.7	56.5
Payables to subsidiaries, associates and Parent	60.0	25.4	34.6
Tax payables and payables to social security institutions	8.8	11.5	(2.7)
Other liabilities and deferred income	93.2	85.3	7.9
<b>B. Total operating liabilities</b>	<b>497.2</b>	<b>400.9</b>	<b>96.3</b>
<b>C. Net working capital</b>	<b>556.2</b>	<b>409.4</b>	<b>146.8</b>
Intangible assets	554.5	523.2	31.3
Property, plant and equipment	360.1	365.2	(5.1)
Financial assets	1,478.5	1,497.2	(18.7)
<b>D. Total fixed assets</b>	<b>2,393.1</b>	<b>2,385.6</b>	<b>7.5</b>
Provisions	155.6	150.6	5.0
Employee termination indemnities	12.2	12.1	0.1
<b>E. Total fixed liabilities</b>	<b>167.8</b>	<b>162.7</b>	<b>5.1</b>
<b>F. Total net fixed assets</b>	<b>2,225.3</b>	<b>2,222.9</b>	<b>2.4</b>
<b>G. Total invested capital, net - Uses (C + F)</b>	<b>2,781.5</b>	<b>2,632.4</b>	<b>149.1</b>
Cash and cash equivalents	(152.9)	(483.3)	330.4
Financial assets other than fixed assets	83.4	88.2	(4.8)
Financial liabilities	456.2	629.0	(172.8)
<b>H. Net financial position</b>	<b>386.7</b>	<b>233.9</b>	<b>152.8</b>
Capital	25.1	25.0	0.1
Reserves	699.4	724.2	(24.8)
Retained earnings	1,601.5	1,545.6	55.9
Profit for the year	68.8	103.6	(34.8)
<b>I. Equity</b>	<b>2,394.8</b>	<b>2,398.4</b>	<b>(3.6)</b>
<b>L. Total sources (I + H)</b>	<b>2,781.5</b>	<b>2,632.4</b>	<b>149.1</b>



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**Net working capital** amounted to €556.2 million, up €146.8 million compared to €409.4 million at 31 December 2021. The change was mainly attributable to the following components:

- the €150.2 million increase in inventories, driven mainly by the green coffee component, significantly impacted by the rise in market prices recorded in 2022, which was also reflected in the R&G and capsules finished product;
- the €22.4 million decrease in trade receivables, primarily as a result of assignment with cash advances for approximately €25 million, offset by the €64.7 million increase in receivables from subsidiaries and associates;
- the €42.3 million increase in tax receivables, including €32 million VAT receivables relating to reaching the VAT threshold for imports and the consequent need to pay the VAT due directly to the Italian Customs;
- the €56.5 million increase in trade payables as a result of the general increase in the cost of goods and services during the year, as well as in payables due to subsidiaries, associates and parent companies for €34.6 million, mainly relating to the charging of costs pertaining to the reorganisation of Lavazza Professional's operations.

**Net fixed assets** totalled €2,393.1 million compared to €2,385.6 million at 31 December 2021.

The €31.3 million increase in **intangible assets** related mainly to the process of reorganising the Group, which entailed the purchase by Luigi Lavazza S.p.A. of the Klix and Flavia trademarks and patents, along with the recognition of the restructuring fee paid to Lavazza Professional Holding North America Inc. in return for the transfer of intangible assets, including the Flavia trademark and patents, in addition to further investments for €85.5 million, partially offset by amortisation and write-downs amounting to €54.2 million during the year.

The net decrease in **property, plant and equipment** amounting to €5.1 million, mainly involving plant, machinery and equipment, was chiefly attributable to the increase in total capital expenditure, net of €45.9

million disposals, offset by depreciation and write-downs for the year totalling €51.0 million.

The €18.7 million decrease in **financial assets** was due to the combined effect of the following transactions:

- the €32.9 million net increase in equity investments, mainly tied to the 7% contribution of Lavazza Premium Coffees Corp. equal to €9 million, the waiver of the residual portion of the loan granted in previous years to Lavazza Professional Holding North America Inc. for €9 million, the capital contribution of E-Coffee Solutions S.r.l. for €4 million and the purchase of the residual 20% of Kicking Horse Coffee Co. Ltd for €17.6 million, offset by the decrease in financial receivables (€69.3 million) and the increase in derivative instruments (€25 million);
- the divestment of the interest in INV. A.G. S.r.l., carried at a net amount of €12 million, and the write-down of the equity investment in Lavazza Netherlands B.V. for €6.2 million, directly related to the adjustment of its equity investment in Fresh and Honest Café Ltd to market value.

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

**Net financial position** was negative at €386.7 million, worsening by €152.8 million compared to 2021.

For further details, reference should be made to the Reclassified Statement of Cash Flows of Luigi Lavazza S.p.A.

## RECLASSIFIED STATEMENT OF CASH FLOWS OF LUIGI LAVAZZA S.P.A.

€ million

	YEAR 2022	YEAR 2021
Profit for the year	68.8	103.6
Amortisation and depreciation	104.4	98.0
Net change in employee termination indemnities	0.1	(0.4)
Net change in provisions	5.0	29.9
Write-downs of equity investments and securities included in fixed assets	6.7	(3.9)
Other write-downs of fixed assets	0.8	2.8
Net effect of merger	-	(1.1)
Changes in items of net working capital		
- inventories	(149.2)	(20.0)
- trade receivables	22.3	(13.0)
- receivables from others and other assets	(108.2)	(37.1)
- trade payables	56.5	74.4
- other payables and liabilities	32.9	17.2
<b>Cash flows from (used for) operating activities</b>	<b>40.1</b>	<b>250.4</b>
Net purchases of:		
- intangible assets	(19.9)	(21.0)
- property, plant and equipment	(45.9)	(43.5)
- investments in subsidiaries, associates and other companies	(29.5)	(60.1)
- other non-current financial assets	(23.5)	4.5
Disposals of:		
- equity investments	7.3	-
<b>Cash flows from (used for) investing activities</b>	<b>(111.5)</b>	<b>(120.1)</b>
Dividends paid	(42.7)	(33.1)
Change in hedge reserve for expected cash flows	(38.7)	47.2
<b>Cash flows from (used for) financing activities</b>	<b>(81.4)</b>	<b>14.1</b>
<b>Cash flows for the year</b>	<b>(152.8)</b>	<b>144.4</b>
<b>Net financial assets/liabilities at year-start</b>	<b>(233.9)</b>	<b>(378.3)</b>
<b>Net financial assets/liabilities at year-end</b>	<b>(386.7)</b>	<b>(233.9)</b>

**Net cash flows** from operating activities were positive at €40.1 million, calculated as the offset balance between the positive earning component of €185.8 million — that includes both profit for the year amounting to €68.8 million and amortisation and depreciation for €104.4 million — and the negative change in net working capital for €145.7 million, severely impacted by the €149.2 million increase in the value of inventories.



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**Cash flows from investing activities** had an overall negative net balance of €111.5 million, composed of:

- net purchases of intangible assets (€19.9 million), mainly attributable to the capitalisation of costs for projects relating to software for long-term use and development costs for investments in technological innovation;
- investments in property, plant and equipment (€45.9 million), mainly in the plant and machinery categories, for the implementation of a new aluminium capsule packaging line and a packing system, in the equipment category, for the installation of machines for the Firma system, and in the electronic machines category, for the purchases of technological devices;
- monetary investments in equity interests in subsidiaries and associates, mainly referring to the purchase from the minority shareholder of the 20% interest in Kicking Horse Coffee Co. Ltd for €25.5 million and to the recapitalisation of the subsidiary E-Coffee Solutions S.r.l for €4 million;
- increase in other financial assets for €23.5 million, chiefly regarding financial derivative assets;
- disposal of the investment in INV. A.G. S.r.l. for €7.3 million.

The negative change in the balance of the OCFFA reserve during the year was attributable to the write-down of the foreign exchange derivatives portfolio and to the effect of the hedging strategies against the green coffee price risk that were implemented financially during 2022 (with a negative result due to the declining market price trend in the final months of the year) and the economic effects of which, due to the application of hedge accounting, have been deferred to the 2023 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 2022.

Luigi Lavazza S.p.A. and the Italian Group companies together with their parent/consolidating company, Finlav S.p.A., participated in the Italian tax consolidation programme.

With regard to compliance with Privacy legislation, Luigi Lavazza S.p.A. 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.



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## 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 management powers 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, including seven Independent Directors. The mandate of the Board of Directors currently in office will expire upon approval of the 2022 Financial Statements. 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 2024 Financial Statements.

Statutory auditing for the three-year period 2022-2023-2024 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.

The Group's sustainability governance is overseen by the highest governing body, namely the Board of Directors of the Parent Company, Luigi Lavazza S.p.A., which approves the Sustainability Report every year and defines the Group's strategies.

The role of managing, planning and programming sustainability initiatives is entrusted to the Institutional Relations & Sustainability (IR&S) Department, set up in 2016, headed by the Chief Sustainability Officer (CSO) reporting to the Group's Chief Financial and Corporate Officer (CFCO). The CSO periodically presents the management activities and their progress to the CFCO, the Chief Executive Officer and other members of Top Management. The Department promotes, amongst the various Group Departments, the adoption and integration of CSR principles in corporate strategies and processes.

In order to increasingly achieve greater integration of sustainability matters at Group level, in 2019 the IR&S Global Network was established. This is a working group composed of the IR&S Department members at Headquarters and representatives of the Group's subsidiaries, with a view to empowerment and continuous collaboration.

## PUBLICATION OF THE GROUP'S NEW CODE OF ETHICS

By resolution of the Board of Directors of 11 February 2022, the Lavazza Group's new Code of Ethics was approved and then published. This incorporates the new values (Authenticity, Passion for Excellence, Responsibility, Inventiveness) and the application of the

high-level ethical principles related to these values, deemed necessary and essential to operate within the market and to establish correct, authentic and transparent relations with national and international stakeholders.

## 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 considering the introduction of new predicated offences and any organisational changes implemented.

The task of overseeing the implementation 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 managers of Luigi Lavazza S.p.A. 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 Internal Control System. The General Section of the 231 Model is published on the website [www.lavazzagroup.com](http://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.



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## WHISTLEBLOWING SYSTEM

In addition to the channels already adopted for the management of 231 reports (referred to in Annex V to the 231 Model), in accordance with the provisions of Directive (EU) No. 1939/2019, a Group system for the management of whistleblowing reports has been implemented, setting up specific channels (online platform, dedicated telephone line, e-mail and ordinary post) available to anyone, inside and outside the Group, who wishes to report potential misconduct or

alleged breach of the principles expressed in the Code of Ethics, in the Organisational Model pursuant to Legislative Decree No. 231/2001 (where applicable), in Group policies and procedures and, in general, potential breaches of laws and regulations.

The methods of making and handling reports are described in the Whistleblowing Policy, published on the corporate Intranet and website.

## ANTITRUST COMPLIANCE PROGRAMME

The Company has defined an Antitrust Compliance Programme with the aim of identifying and assessing a specific antitrust risk to reiterate and strengthen its commitment to full compliance with the rules to protect competition, already enshrined in the Group's 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 — along with the subsidiaries' Local Antitrust Coordinators, where present — for employees when there is doubt about the compatibility of a certain behaviour with competition law.

Training/in-depth training on antitrust issues is provided, both online and in the classroom.

## ESG COMPLIANCE

With a view to ever-increasing integration of sustainability within each corporate function, the Institutional Relations & Sustainability Department also monitors the main national and European regulatory developments in the ESG field. In fact, the Department is responsible for representing the Lavazza Group in the main national and international working groups in the sector, such as the European Coffee Federation.

The goal is to ensure constant monitoring of compliance and the impacts that current and emerging legislation may have on the business. In this way, the Group

has a complete and constantly up-to-date vision, and thus adopts the appropriate tools to meet regulatory requirements. Likewise, compliance with the highest voluntary sustainability standards, such as adherence to ISO 14001 and ISO 45001 standards, envisaged by the international initiatives which the Group has decided to join, is ensured by the IR&S function's continuous support to the departments concerned.



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## PRIVACY ORGANISATIONAL MODEL PURSUANT TO EU REGULATION No. 679/2016

The Group 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 Luigi Lavazza S.p.A. 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 of the company policies and procedures adopted on Privacy matters.

In particular, mapping and review have been carried out on data processing, described in the register that is continuously updated, combined with the related analysis and data protection impact assessment (DPIA) and legitimate interest assessment (LIA); operational flows for the exercise of the rights of data subjects are constantly verified; privacy, policies, procedures and statements are periodically revised; activities were carried out for the signing of DPAs (Data Processing Agreements) with suppliers involved in processing personal data as external processors; the activities proposed by company Departments/functions involving the processing of personal data are systematically assessed to ensure they are carried out in accordance with the European Regulation (GDPR); and the adequacy of the technical and organisational measures for managing risk is constantly 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.

Online training sessions about Privacy are planned, in addition to ad-hoc sessions for the various company Departments and functions.

## TAX COMPLIANCE - TAX CONTROL FRAMEWORK

On 28 December 2022, the Italian Revenue Agency admitted Luigi Lavazza S.p.A. to the Cooperative Compliance regime established pursuant to Legislative Decree No. 128/2015, effective as of the 2021 tax period. The admission represents an acknowledgement of the constant focus on tax compliance issues that Luigi Lavazza S.p.A. has maintained over the years and that has its roots in the Code of Ethics and Tax Strategy, as well as in the positive assessment by the Italian Revenue Agency of the internal system for managing and monitoring tax risk (Tax Control Framework).

The Cooperative Compliance regime strengthens the promotion of a relationship of trust with the Italian Revenue Agency and therefore increases the level of certainty regarding tax matters.

In 2020, Luigi Lavazza S.p.A. had already obtained the status of Certified Customs Operator (Full AEO) as part of an integrated compliance process launched in the tax field to identify tax, fraud and customs risks.

## CYBERSECURITY

The drive towards digitalisation in recent years in all business areas continues according to a vertical growth trend that looks set to continue.

The Group recognises the growing need for flexibility in working methods and the related tools, which offer a variability and prompt adaptability that are proving increasingly crucial to ensure business continuity, while also meeting the growing need for work-life balance.

This scenario resulted in a proportional increase in the cyber-risks already monitored by the Lavazza Group, with a potential impact on its business activities and personal data. In particular, the risks tied to the cyber-crime market, where hacking attacks — above all those involving ransomware for extortion — have become a frequent practice in the global market, with potential significant impacts, and therefore are one of the main risks to be monitored.

The development of IT systems is therefore keeping pace with these trends, considering the responses required to mitigate cyber-crime risks.

In accordance with these market trends, the Lavazza Group has included a programme for improving its cyber-risk posture in its strategic plan with the aim of reducing its risk exposure through three main lines of action:

- technological: for the adoption of new technical prevention and monitoring measures
- organisational: for reinforcing its processes and ability to respond
- cultural: for improving the culture, knowledge and awareness of all its personnel.



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# OUTLOOK

The year that has just begun presents a macroeconomic scenario that appears to be complex and will need to be faced with the same courage, strength and determination that allowed the Group to achieve a turnover exceeding €2.7 billion in 2022, while maintaining profitability in line with the previous year, also thanks to careful cost management.

The Group's attention is currently focused on the exceptional increase in the prices of all raw materials occurred in 2022: above all green coffee, but also packaging, energy, natural gas, logistics and rentals, which are also set to have a severe impact on 2023.

In January, a 76% interest in the India-based Fresh and Honest Café Ltd was sold; the company will nonetheless remain the Lavazza Brand's exclusive distributor in India.

In February, the Group entered into a financing agreement with a pool of banks consisting of BNL BNP Paribas, BNP Paribas Italian Branch, Banco Bpm, Intesa Sanpaolo, Mediobanca and Rabobank for a total of €600 million, divided into a term loan line and a revolving line, both with terms of five years, and intended to meet generic needs, including projects in the sustainability arena.

The financing is tied to specific Group ESG (environmental, social and governance) objectives, involving an incentive mechanism linked to achieving certain sustainability parameters.

The acquisition of a majority interest in the French company MaxiCoffee, which operates in the e-commerce sector and in the professional channel, is set to be finalised in the first quarter, contingent on approval by the General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF). This acquisition will enable the Group to consolidate its position in France, which has always been a key market, while also strengthening its presence in e-commerce and increasing its presence in the B2C/consumer market.

The strong price volatility marking this period and the unstable macroeconomic context make it particularly difficult to provide completely reliable forecasting elements. However, the Group intends to pursue its investment plan to internationalise the brand placing increasing focus on operating according to a sustainable approach from an economic, environmental and social standpoint, valuing People, the local areas and the communities in which it operates.

The Chairman of the Board of Directors

**Alberto Lavazza**



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# ACCOUNTING STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand	NOTES	31.12.2022	31.12.2021
Goodwill	10.1	975,223	957,176
Other intangible assets	10.2	436,006	448,773
Rights of use	10.3	156,934	167,700
Property, plant and equipment	10.4	593,173	600,734
Investments in other companies	10.5	33,720	58,320
Non-current financial assets	10.6	59,707	33,838
Deferred tax assets	10.7	76,572	74,033
Other non-current assets	10.8	4,116	4,056
<b>Total non-current assets</b>		<b>2,335,451</b>	<b>2,344,630</b>
Inventories	10.9	648,403	445,921
Trade receivables	10.10	270,931	259,547
Current tax receivables	10.11	31,811	4,926
Other current assets	10.8	104,287	71,894
Current financial assets	10.6	379,485	378,018
Cash and cash equivalents	10.12	330,503	706,562
<b>Total current assets</b>		<b>1,765,420</b>	<b>1,866,868</b>
<b>Assets held for sale</b>		<b>22,983</b>	<b>6,247</b>
<b>TOTAL ASSETS</b>		<b>4,123,854</b>	<b>4,217,745</b>
Share capital	10.13	25,090	25,000
Reserves	10.13	2,459,652	2,400,275
Profit for the year		94,440	105,125
<b>Equity attributable to the Group</b>		<b>2,579,182</b>	<b>2,530,400</b>
Equity attributable to non-controlling interests	10.13	1,264	3,191
Profit (loss) for the year attributable to non-controlling interests		117	403
<b>TOTAL EQUITY</b>		<b>2,580,563</b>	<b>2,533,994</b>
Non-current financial liabilities	10.14	299,429	489,650
Right-of-use liabilities, non-current	10.15	114,017	125,478
Provisions for employee benefits	10.16	61,632	85,942
Provisions for future risks and charges	10.17	86,247	126,948
Deferred tax liabilities	10.7	79,238	81,431
Other non-current liabilities	10.20	659	1,310
<b>Total non-current liabilities</b>		<b>641,222</b>	<b>910,759</b>
Current financial liabilities	10.14	201,650	201,032
Right-of-use liabilities, current	10.15	17,564	17,486
Trade payables	10.19	500,220	412,932
Provisions (current portion)	10.17	79,500	33,561
Current tax payables	10.18	2,706	14,517
Other current liabilities	10.20	97,540	93,464
<b>Total current liabilities</b>		<b>899,179</b>	<b>772,992</b>
<b>FV LIABILITIES HELD FOR SALE</b>		<b>2,890</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>4,123,854</b>	<b>4,217,745</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

€ thousand	NOTE	YEAR 2022	YEAR 2021
Net revenues	11.1	2,715,466	2,308,393
Cost of sales	11.2	(1,794,767)	(1,385,765)
<b>GROSS PROFIT</b>		<b>920,699</b>	<b>922,628</b>
Promotional and advertising costs	11.3	(212,071)	(229,992)
Selling costs	11.4	(203,242)	(183,253)
General and administrative expenses	11.5	(287,855)	(292,587)
Research and development costs	11.6	(16,559)	(15,787)
Other operating income (expense)	11.7	(28,056)	(31,736)
<b>OPERATING PROFIT</b>		<b>172,916</b>	<b>169,273</b>
Non-recurring income (expense)	11.7	(2,045)	-
Income (losses) for investments in JVs and associated	11.7	(11,258)	(5,690)
<b>PROFIT BEFORE THE FINANCIAL COMPONENT AND TAXES</b>		<b>159,613</b>	<b>163,583</b>
Financial income (expense)	11.9	(40,547)	171
Dividends and results from investments	11.9	921	237
<b>PROFIT BEFORE TAXES</b>		<b>119,987</b>	<b>163,991</b>
Income taxes for the year	11.10	(25,430)	(58,463)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>94,557</b>	<b>105,528</b>
Profit/(Loss) from discontinued operations		-	-
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>94,557</b>	<b>105,528</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		<b>117</b>	<b>403</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>		<b>94,440</b>	<b>105,125</b>

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	YEAR 2022	YEAR 2021
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>94,557</b>	<b>105,528</b>
<b>Other components of comprehensive income that will be subsequently reclassified to profit / loss for the year (net of taxes):</b>		
Translation differences of foreign financial statements	25,715	52,481
(Loss)/Gain from hedging derivatives (cash flow hedge)	(40,700)	47,104
(Loss)/Gain from securities	(903)	6,655
<b>Other components of comprehensive income that will be subsequently reclassified to profit/(loss) for the year, net of taxes</b>	<b>(15,887)</b>	<b>106,240</b>
<b>Other components of comprehensive income that will not be subsequently reclassified to profit / loss for the year (net of taxes):</b>		
(Loss)/Gain from revaluation of defined benefit plans	17,432	4,050
<b>Other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year, net of taxes</b>	<b>17,432</b>	<b>4,050</b>
<b>TOTAL COMPONENTS OF OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>	<b>1,545</b>	<b>110,290</b>
<b>TOTAL PROFIT/(LOSS) NET OF TAXES</b>	<b>96,102</b>	<b>215,818</b>
<b>Attributable to:</b>		
Equity holders of the Parent	95,981	215,197
Non-controlling interests	121	622

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	2022	2021
<b>NET PROFIT</b>	<b>94,557</b>	<b>105,528</b>
Income taxes	25,430	58,463
Financial expense/(income)	4,735	4,468
Value adjustments to financial assets/liabilities	29,979	<b>(1,095)</b>
<b>RESULT BEFORE TAXES, INTEREST AND ADJUSTMENTS TO FINANCIAL ASSETS</b>	<b>154,701</b>	<b>167,364</b>
(Gains) Losses from disposal of assets	3,674	(759)
Additions to provisions, employee benefits and other non-monetary components	56,512	91,421
Amortisation, depreciation and write-downs	152,235	151,019
<b>RESULT ADJUSTED FOR NON-MONETARY COMPONENTS</b>	<b>367,122</b>	<b>409,045</b>
Change in trade receivables	(13,467)	(12,886)
Change in inventories	(205,629)	(35,863)
Change in trade payables	98,208	80,309
Change in other receivables/payables	(29,980)	(1,297)
<b>CASH FLOWS AFTER CHANGES IN NET WORKING CAPITAL</b>	<b>216,254</b>	<b>439,308</b>
Taxes paid	(60,186)	(54,150)
Use of provisions and indemnities paid	(39,945)	(40,354)
Interest and dividends collected, interest (paid)	(890)	(7,549)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>115,233</b>	<b>337,255</b>
Purchases of property, plant and equipment	(101,616)	(108,474)
Purchases of intangible assets	(22,053)	(26,203)
Change in current financial assets	(37,991)	5,315
Change in non-current financial assets	11,076	7,705
Change in derivatives	(58,017)	60,870
Disposals (Acquisitions) of other equity investments	(44,403)	(30,891)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(253,004)</b>	<b>(91,678)</b>
New bank loans and payables		
Net reimbursement of bank loans and payables	(171,412)	145,497
Net reimbursement of right-of-use liabilities	(18,601)	(17,618)
Dividends paid	(43,138)	(33,376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(233,151)</b>	<b>94,503</b>
Cash and cash equivalents classified to assets available for sale	(3,655)	-
Exchange rate effect	(1,482)	(5,342)
<b>CASH FLOWS GENERATED (USED)</b>	<b>(376,059)</b>	<b>334,738</b>
<b>Cash and cash equivalents at year-start</b>	<b>706,562</b>	<b>371,824</b>
<b>Cash and cash equivalents at year-end</b>	<b>330,503</b>	<b>706,562</b>



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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MOVEMENTS IN EQUITY	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER CAPITAL RESERVES	RETAINED EARNINGS	(LOSS)/GAIN FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)
<b>Balance at 1 January 2022</b>	<b>25,000</b>	<b>224</b>	<b>(17,733)</b>	<b>636,143</b>	<b>1,749,169</b>	<b>42,238</b>
Profit for the year	-	-	-	-	94,440	-
Other components of comprehensive income	-	-	-	-	-	(40,700)
<b>Total comprehensive profit/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,440</b>	<b>(40,700)</b>
Option rights	-	-	-	-	-	-
Payment of dividends	-	-	-	-	(42,750)	-
Reclassifications - other movements	90	8,910	-	-	(6,393)	26
<b>Balance at 31 December 2022</b>	<b>25,090</b>	<b>9,134</b>	<b>(17,733)</b>	<b>636,143</b>	<b>1,794,466</b>	<b>1,564</b>

MOVEMENTS IN EQUITY	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER CAPITAL RESERVES	RETAINED EARNINGS	(LOSS)/GAIN FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)
<b>Balance at 1 January 2021</b>	<b>25,000</b>	<b>224</b>	<b>(17,733)</b>	<b>636,143</b>	<b>1,675,834</b>	<b>(4,827)</b>
Profit for the year	-	-	-	-	105,125	-
Other components of comprehensive income	-	-	-	-	-	47,065
<b>Total comprehensive profit/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,125</b>	<b>47,065</b>
Option rights	-	-	-	-	-	-
Payment of dividends	-	-	-	-	(33,075)	-
Reclassifications - other movements	-	-	-	-	1,285	-
<b>Balance at 31 December 2021</b>	<b>25,000</b>	<b>224</b>	<b>(17,733)</b>	<b>636,143</b>	<b>1,749,169</b>	<b>42,238</b>

(LOSS)/GAIN FROM REVALUATION OF DEFINED BENEFIT PLANS	RESERVE FOR FVOCI FINANCIAL INSTRUMENTS	TRANSLATION DIFFERENCES OF FOREIGN FINANCIAL STATEMENTS	EQUITY TRANSACTION RESERVE	FTA RESERVE	EQUITY ATTRIBUTABLE TO THE GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>(3,169)</b>	<b>10,075</b>	<b>5,077</b>	<b>-</b>	<b>83,376</b>	<b>2,530,400</b>	<b>3,594</b>	<b>2,533,994</b>
-	-	-	-	-	94,440	117	94,557
17,429	(903)	25,715	-	-	1,541	4	1,545
<b>17,429</b>	<b>(903)</b>	<b>25,715</b>	<b>-</b>	<b>-</b>	<b>95,981</b>	<b>121</b>	<b>96,102</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	(42,750)	(388)	(43,138)
-	-	(19)	(7,063)	-	(4,449)	(1,946)	(6,395)
<b>14,260</b>	<b>9,172</b>	<b>30,773</b>	<b>(7,063)</b>	<b>83,376</b>	<b>2,579,182</b>	<b>1,381</b>	<b>2,580,563</b>

(LOSS)/GAIN FROM REVALUATION OF DEFINED BENEFIT PLANS	RESERVE FOR FVOCI FINANCIAL INSTRUMENTS	TRANSLATION DIFFERENCES OF FOREIGN FINANCIAL STATEMENTS	EQUITY TRANSACTION RESERVE	FTA RESERVE	EQUITY ATTRIBUTABLE TO THE GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>(7,218)</b>	<b>3,420</b>	<b>(47,227)</b>	<b>-</b>	<b>83,376</b>	<b>2,346,992</b>	<b>3,270</b>	<b>2,350,262</b>
-	-	-	-	-	105,125	403	105,528
4,049	6,655	52,304	-	-	110,073	219	110,292
<b>4,049</b>	<b>6,655</b>	<b>52,304</b>	<b>-</b>	<b>-</b>	<b>215,198</b>	<b>622</b>	<b>215,820</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	(33,075)	(301)	(33,376)
-	-	-	-	-	1,285	3	1,288
<b>(3,169)</b>	<b>10,075</b>	<b>5,077</b>	<b>-</b>	<b>83,376</b>	<b>2,530,400</b>	<b>3,594</b>	<b>2,533,994</b>

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# 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 2022 has been authorised by the Board of Directors on 27 March 2023. 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 2022 have been prepared on a going-concern basis.

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## 2. ACCOUNTING STANDARDS

### 2.1 PRINCIPLES OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's Consolidated Financial Statements at 31 December 2022 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. These standards are 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, except for 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 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 2022 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.



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### 3. CONSOLIDATION AREA AND CHANGES

The Consolidated Financial Statements include the financial statements at and for the year ended 31 December 2022 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 and is exposed to the variability of their performance.

At 31 December 2022, the consolidation area was essentially unchanged compared to the previous year, except for the Parent Company's acquisition of non-controlling interests in the subsidiaries Lavazza Premium Coffees Corp. and Kicking Horse Coffee Co. Ltd.

In particular, the investment in Lavazza Premium Coffees Corp. rose from 93% to 100% following the acquisition of the remaining 7% from Finlav S.p.A., whereas the interest in Kicking Horse Coffee Co. Ltd went from 80% to 100% as the Parent Company exercised its option right from the third-party shareholder.

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
<b>PARENT COMPANY:</b>					
Luigi Lavazza S.p.A.	Turin	EUR 25,090,000	-	-	-
<b>COMPANIES CONSOLIDATED USING THE LINE-BY-LINE METHOD:</b>					
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	100	-	100
Kicking Horse Coffee Co. Ltd	Invermere	CAD 214,994,203	100	-	100
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 and Honest Café Ltd	Chennai	INR 91,304,920	-	100	100
Lavazza Argentina SA	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	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 Ltd	Basingstoke	GBP 34,084,001	-	100	100
Lavazza Professional UK Operating Services Ltd	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
E-Coffee Solutions France S.a.s.	Boulogne	EUR 1,000	100	-	100
E-Coffee Solutions S.r.l. (formerly Lavazza Professional Holding EU S.r.l.)	Turin	EUR 1,000,000	100	-	100
<b>COMPANIES CONSOLIDATED USING THE EQUITY METHOD:</b>					
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
<b>OTHER INVESTMENTS</b>					
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
<b>INVESTMENTS VALUED AT FAIR VALUE:</b>					
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 (formerly 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



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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 2022. Control is achieved when the Group is exposed or entitled to variable returns arising from its relationship with the investee, 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 control 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 investee.

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 consolidation 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:

CURRENCY	2022		2021	
	AVERAGE EXCHANGE RATE	YEAR-END	AVERAGE EXCHANGE RATE	YEAR-END
Argentine Peso (*)	189.70	189.70	116.36	116.36
Australian Dollar	1.52	1.57	1.57	1.56
Brazilian Real	5.44	5.64	6.38	6.31
Canadian Dollar	1.37	1.44	1.48	1.44
Danish Krone	7.44	7.44	7.44	7.44
Pound Sterling	0.89	0.89	0.86	0.84
Indian Rupee	82.69	88.17	87.44	84.23
Japanese Yen	138.02	140.66	129.88	130.38
Swedish Krona	10.63	11.12	10.15	10.25
US Dollar	1.05	1.07	1.18	1.13

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



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## 5. MAIN PRINCIPLES USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

### BUSINESS COMBINATION 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 based on 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 reporting 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 — Inputs 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 most recent valuation by comparing the information used in the valuation with contracts and other relevant documents.



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The Group, in conjunction with its 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

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 initially measured 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 life and assessed for impairment whenever there is an indication that they 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 benefits 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 in 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 recognition amount and fair value, net of costs to sell.



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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 an 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 remeasurements 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, at fair value through other comprehensive income (OCI), and at 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 at 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 market regulation or practices (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchasing or selling the asset.



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## 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 through 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 gains and losses 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 listed debt instruments classified among 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 IFRS9 – 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, and 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 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 through 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 through 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.



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## 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, upon 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.



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## 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 a financial expense 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, or 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 among other expenses.

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 among other expenses.

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 are 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 among other expenses 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.



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## 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 in 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 and semi-finished goods: 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 light 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 costs.

## 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, in the event of reissuance, 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 (legal or constructive) obligation 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 the liability is discounted, the increase in the provision due to the passage of time is recognised as a financial 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.



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## 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 appropriately authorised and 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 for the year 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 given 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 sufficient 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 sufficient taxable profit will be available so that the temporary differences can be utilised.



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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.



## 6. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB

Pursuant to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, IFRS that entered into force on 1 January 2022 are summarised hereunder.

The Group did not opt for early application of any of the new standards, interpretations or amendments issued but not entered into force yet.

### THE AMENDMENTS ARE EFFECTIVE FOR REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022

Accounting standards, amendments and interpretations applicable as at 1 January 2020

On 28 June 2021, Regulation (EU) No. 2021/1080 was issued to implement a series of amendments referring exclusively to IFRS.

These include amendments to three IFRS, as well as annual improvements to IFRS, regarding minor, non-urgent (yet necessary) changes.

The amendments are as follows:

#### IAS 16 – PROPERTY, PLANT AND EQUIPMENT – PROCEEDS BEFORE INTENDED USE

The amendment prohibits a company from deducting from the cost of property, plant and equipment any amounts received from selling items produced while the company is preparing the asset for its intended use (e.g., the proceeds from selling the samples produced when testing a machine to verify it is properly functioning).

Instead, a company shall recognise the proceeds from selling such samples and the related production costs through profit or loss.

#### IAS 37 – ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT

The amendment clarifies the meaning of “cost of fulfilling a contract”.

According to the new standard, costs that relate directly to the execution of a contract consist of both:

- the incremental costs of fulfilling that contract (e.g., direct labour and materials); and
- an allocation of other costs that relate directly to fulfilling contracts (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract).

The amendment also states that, before a separate provision for an onerous contract is established, an entity shall recognise any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The amendment could lead to the recognition of greater provisions, as in the past some entities included exclusively incremental costs among the cost of fulfilling a contract.

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## IFRS 3 – REFERENCE TO THE CONCEPTUAL FRAMEWORK

The Board updated IFRS 3 – Business Combinations to require an entity to refer to the 2018 Conceptual Framework for Financial Reporting to determine what constitutes an asset or a liability in a business combination. Before the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. The amendments did not change the method for the accounting treatment of business combinations.

The adoption of these amendments did not impact the Consolidated Financial Statements at 31 December 2022.

## AMENDMENTS TO IFRS 9, IFRS 16 AND IFRS 1

### AMENDMENT TO IFRS 9 — FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

The amendment clarifies the fees a company includes in the '10 per cent' test for derecognising financial liabilities (if a financial liability is modified or exchanged, IFRS 9 — Financial Instruments specifies a quantitative '10 per cent' test).

To determine whether the original financial liability should be derecognised, the test assesses whether the new contractual terms between the borrower and the lender are substantially different from the original terms).

Fees or costs may be paid to a third party or the lender.

Under the amendment, costs or fees paid to third parties will not be included in the 10 per cent test.

### AMENDMENT TO ILLUSTRATIVE EXAMPLES ACCOMPANYING IFRS 16 – LEASING

The Board amended the Illustrative Example 13 accompanying IFRS 16 to remove from it the lessor's payment for leasehold improvements.

The purpose of the amendment was to remove the potential for confusion in accounting for lease incentives.

### AMENDMENT TO IFRS 1 – FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent. IFRS 1 provides an exemption for a subsidiary that adopts IFRS after its parent.

The subsidiary may measure its assets and liabilities at the carrying amounts that would be included in the parent's Consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. The Board amended IFRS 1 to allow entities that have adopted this IFRS 1 exemption to also recognise cumulative translation differences at the amounts reported by the parent, based on the parent's date of transition to IFRS.

The amendment to IFRS 1 extends that exemption to cumulative translation differences in order to reduce costs for first-time adopters.

This amendment will also apply to associates and Joint Ventures that have obtained the same IFRS 1 exemption.

All these amendments entered into force on 1 January 2022. Earlier application is permitted.

The adoption of these amendments did not impact the Consolidated Financial Statements at 31 December 2022.

## 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:

	<b>APPLICATION MANDATORY AS OF</b>
<b>New Standards/ Interpretations not yet endorsed by the EU</b>	
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 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023
<b>New Standards/ Interpretations endorsed by the EU but not yet effective</b>	
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	01/01/2023
Amendments to IAS 1 – Presentation of Financial Statements	01/01/2023

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



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## 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.

### 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 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

### 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

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.

consistency between prospective and historic cash flows. In addition, 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.

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

## 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 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

## 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 in its development plan. In determining the amounts to be capitalised,

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, including a sensitivity analysis, are provided in paragraph 10.16.

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).

management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

In 2022, the carrying amount of capitalised development costs was €5.2 million, compared to €3.5 million for the previous year.



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## 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 AT 31 DECEMBER 2022

	EQUITY ATTRIBUTABLE TO THE GROUP	PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP
<b>Luigi Lavazza S.p.A. - separate financial statements based on Italian GAAP</b>	<b>2,394,824</b>	<b>68,845</b>
IFRS/IAS adjustments Luigi Lavazza S.p.A.	111,162	16,107
<b>Luigi Lavazza S.p.A. - based on IFRS/IAS</b>	<b>2,505,986</b>	<b>84,952</b>
Difference between the carrying amount and the value of the portion of the book equity of investees	(15,842)	45,266
Elimination of dividends and results of equity investments	-	(22,492)
Consolidation difference for acquisitions	129,423	-
Other consolidation adjustments including intercompany profit	(40,385)	(13,286)
<b>TOTAL</b>	<b>2,579,182</b>	<b>94,440</b>

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.

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# 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 2022 and its change in the reporting year:

<b>Balance at 31.12.2021</b>	<b>957,176</b>
Exchange delta and other changes	18,047
<b>Balance at 31.12.2022</b>	<b>975,223</b>

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 following table provides the breakdown of goodwill by CGU:

	31.12.2021	EXCHANGE RATES AND OTHER CHANGES	31.12.2022
CGU America	414,521	17,947	432,468
CGU France	419,604	200	419,804
CGU Italy	19,546	-	19,546
CGU Rest of Europe and Rest of world	103,505	(100)	103,405
<b>Total</b>	<b>957,176</b>	<b>18,047</b>	<b>975,223</b>

## 10.2 OTHER INTANGIBLE ASSETS

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

	BALANCE AT 31.12.2021	INCREASES	(DECREASES)	RECLASSIFICATIONS	EXCHANGE DELTA	BALANCE AT 31.12.2022
<b>Development costs</b>						
Gross value	17,791	-	-	5,242	(3)	23,030
(Write-down provision)	(171)	(465)	-	-	-	(636)
(Accumulated amortisation)	(11,498)	(2,133)	-	-	12	(13,619)
<b>Net value</b>	<b>6,122</b>	<b>(2,598)</b>	-	<b>5,242</b>	<b>9</b>	<b>8,775</b>
<b>Rights for industrial patents and rights for exploitation of intellectual property</b>						
Gross value	26,541	650	-	(8,995)	468	18,664
(Write-down provision)	-	-	-	-	-	-
(Accumulated amortisation)	(10,130)	(1,956)	-	8,995	(468)	(3,559)
<b>Net value</b>	<b>16,411</b>	<b>(1,306)</b>	-	-	-	<b>15,105</b>
<b>Concessions, licenses and similar rights</b>						
Gross value	184,169	368	-	(366)	256	184,427
(Write-down provision)	-	-	-	(32)	1	(31)
(Accumulated amortisation)	(65,340)	(9,912)	-	829	(139)	(74,562)
<b>Net value</b>	<b>118,829</b>	<b>(9,544)</b>	-	<b>431</b>	<b>118</b>	<b>109,834</b>
<b>Trademarks</b>						
Gross value	516,328	-	-	(4,920)	(138)	511,270
(Write-down provision)	(311,037)	-	-	-	-	(311,037)
(Accumulated amortisation)	(4,655)	(791)	-	4,920	(268)	(794)
<b>Net value</b>	<b>200,636</b>	<b>(791)</b>	-	-	<b>(406)</b>	<b>199,439</b>
<b>Total other intangible assets</b>						
Gross value	154,858	2,599	(1,231)	7,633	2,926	166,785
(Write-down provision)	-	(1,915)	-	-	24	(1,891)
(Accumulated amortisation)	(56,752)	(18,322)	84	(103)	(499)	(75,592)
<b>Net value</b>	<b>98,106</b>	<b>(17,638)</b>	<b>(1,147)</b>	<b>7,530</b>	<b>2,451</b>	<b>89,302</b>
<b>Fixed assets in process and advances</b>						
Gross value	8,669	18,457	(174)	(13,481)	80	13,551
(Write-down provision)	-	-	-	-	-	-
<b>Net value</b>	<b>8,669</b>	<b>18,457</b>	<b>(174)</b>	<b>(13,481)</b>	<b>80</b>	<b>13,551</b>
<b>Total intangible assets</b>						
Gross value	908,356	22,074	(1,405)	(14,887)	3,589	917,727
(Write-down provision)	(311,208)	(2,380)	-	(32)	25	(313,595)
(Accumulated amortisation)	(148,375)	(33,114)	84	14,641	(1,362)	(168,126)
<b>Net value</b>	<b>448,773</b>	<b>(13,420)</b>	<b>(1,321)</b>	<b>(278)</b>	<b>2,252</b>	<b>436,006</b>

The increases in other intangible assets and fixed assets in process mainly referred to new IT (Information Technology) investments made in the reporting year and mainly developed through external sources.

The increase in the item "Fixed assets in process and advances" referred to advances on ongoing orders relating to new software with a duration of several years and to development costs. The reclassification was mainly due to the IT costs associated with the development of software projects for long-term use, development costs for machinery technological innovation, costs of long-term licences and costs of intellectual property rights.

The change in "Development costs" mainly refers to the conclusion of investments in technological innovation relating to the development of recyclable and compostable packaging and to studies and research relating to new models of coffee machines begun in previous years.

Write-downs of €465 thousand were recognised during the year in relation to the costs of projects subject to early phase-out and replaced by new models.

### IMPAIRMENT TEST OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and trademarks with indefinite useful lives acquired in business combinations (amounting to €975,223 thousand and €191,810 thousand, respectively) were 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, which also reflects CGUs' geographical location.

The carrying amounts of the CGUs (coinciding with the value of net invested capital) were 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 2027, a terminal value was estimated 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	8.4%	1.5%
France	7.3%	1.4%
America	6.7%	1.5%
Rest of Europe and Rest of world	7.3%	1.7%

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.

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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 in 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 Unit (discount rate, WACC, g growth rate and long-term margins).

The elaboration of alternative scenarios that 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.

## 10.3 RIGHTS OF USE

Rights of use totalled €156,934 and referred for €156,679 to contracts for property, plant and equipment and for €255 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 31.12.2021	RECLASSIFICATIONS	INCREASES	(DECREASES)	EXCHANGE DELTA	SCOPE DELTA	BALANCE AT 31.12.2022
<b>Right-of-use Land and buildings</b>							
Gross value	72,013	(819)	5,854	(3,612)	(941)	-	72,495
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(19,451)	495	(7,785)	1,872	211	-	(24,658)
<b>Net value</b>	<b>52,562</b>	<b>(324)</b>	<b>(1,931)</b>	<b>(1,740)</b>	<b>(730)</b>	-	<b>47,837</b>
<b>Right-of-use Leased buildings</b>							
Gross value	115,844	-	-	-	-	-	115,844
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(16,029)	-	(3,510)	-	-	-	(19,539)
<b>Net value</b>	<b>99,815</b>	-	<b>(3,510)</b>	-	-	-	<b>96,305</b>
<b>Right-of-use Industrial and commercial equipment</b>							
Gross value	7,860	-	154	(492)	11	-	7,533
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(1,627)	-	(1,051)	475	(6)	-	(2,209)
<b>Net value</b>	<b>6,233</b>	-	<b>(897)</b>	<b>(17)</b>	<b>5</b>	-	<b>5,324</b>
<b>Right-of-use Furniture and fittings</b>							
Gross value	320	-	-	(24)	-	-	296
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(108)	-	(65)	36	-	-	(137)
<b>Net value</b>	<b>212</b>	-	<b>(65)</b>	<b>12</b>	-	-	<b>159</b>
<b>Right-of-use Means of transport</b>							
Gross value	17,147	39	3,741	(3,566)	(172)	-	17,189
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(8,592)	26	(5,278)	3,404	107	-	(10,333)
<b>Net value</b>	<b>8,555</b>	<b>64</b>	<b>(1,537)</b>	<b>(162)</b>	<b>(65)</b>	-	<b>6,856</b>
<b>Right-of-use Electronic machines</b>							
Gross value	311	-	83	-	-	-	394
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(94)	-	(111)	-	-	-	(205)
<b>Net value</b>	<b>217</b>	-	<b>(28)</b>	-	-	-	<b>189</b>
<b>Right-of-use Other assets</b>							
Gross value	35	-	-	(12)	-	-	23
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(19)	-	(7)	12	-	-	(14)
<b>Net value</b>	<b>16</b>	-	<b>(7)</b>	-	-	-	<b>9</b>
<b>Total right-of-use Property, plant and equipment</b>							
Gross value	213,530	(780)	9,832	(7,706)	(1,102)	-	213,774
(Write-down provision)	-	-	-	-	-	-	-
(Accumulated depreciation)	(45,920)	521	(17,807)	5,799	312	-	(57,095)
<b>Net value</b>	<b>167,610</b>	<b>(259)</b>	<b>(7,975)</b>	<b>(1,907)</b>	<b>(790)</b>	-	<b>156,679</b>



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The gross increases for the period of €9,832 mainly refer to properties used for commercial purposes (€5,853) and vehicles used by employees (€3,741).

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 leased buildings include the finance lease of the Nuvola Headquarters, already recognised 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 2022	YEAR 2021
Amortisation and depreciation	(17,974)	(17,662)
Interest	(3,554)	(3,840)
Lease costs for short-term and low value contracts	(4,871)	(5,258)

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 €19 million for the reporting year, compared to €18 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").

## 10.4 PROPERTY, PLANT AND EQUIPMENT

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

	BALANCE AT 31.12.2021	INCREASES	(DECREASES)	RECLASSIFICATIONS	EXCHANGE DELTA	BALANCE AT 31.12.2022
<b>Land and buildings</b>						
Gross value	210,257	425	(70)	(1,496)	360	209,476
(Write-down provision)	(9,106)	(9)	-	14	-	(9,101)
(Accumulated depreciation)	(76,784)	(4,600)	47	1,730	637	(78,970)
<b>Net value</b>	<b>124,367</b>	<b>(4,184)</b>	<b>(23)</b>	<b>248</b>	<b>997</b>	<b>121,405</b>
<b>Plant and machinery</b>						
Gross value	889,775	2,084	(27,698)	29,536	(664)	893,033
(Write-down provision)	(10,031)	(26)	3,652	-	-	(6,405)
(Accumulated depreciation)	(587,089)	(34,776)	20,283	5,407	538	(595,637)
<b>Net value</b>	<b>292,655</b>	<b>(32,718)</b>	<b>(3,763)</b>	<b>34,943</b>	<b>(126)</b>	<b>290,991</b>
<b>Industrial and commercial equipment</b>						
Gross value	56,238	1,878	(203)	19	-	57,932
(Write-down provision)	(3,511)	(294)	134	-	-	(3,671)
(Accumulated depreciation)	(46,385)	(2,879)	48	-	-	(49,216)
<b>Net value</b>	<b>6,342</b>	<b>(1,295)</b>	<b>(21)</b>	<b>19</b>	<b>-</b>	<b>5,045</b>
<b>Espresso machines and other commercial equipment</b>						
Gross value	375,804	49,337	(17,906)	(15,326)	59	391,968
(Write-down provision)	(2,654)	(17)	474	-	-	(2,197)
(Accumulated depreciation)	(259,913)	(49,281)	15,362	13,903	106	(279,823)
<b>Net value</b>	<b>113,237</b>	<b>39</b>	<b>(2,070)</b>	<b>(1,423)</b>	<b>165</b>	<b>109,948</b>
<b>Furniture and fittings</b>						
Gross value	44,424	966	(1,438)	474	(165)	44,261
(Write-down provision)	(24)	-	-	-	(1)	(25)
(Accumulated depreciation)	(28,741)	(3,149)	1,329	585	(18)	(29,994)
<b>Net value</b>	<b>15,659</b>	<b>(2,183)</b>	<b>(109)</b>	<b>1,059</b>	<b>(184)</b>	<b>14,242</b>
<b>Means of transport</b>						
Gross value	1,169	-	(23)	(1)	(1)	1,144
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(973)	(32)	23	-	1	(981)
<b>Net value</b>	<b>196</b>	<b>(32)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>163</b>
<b>Electronic machines</b>						
Gross value	40,216	2,532	(1,552)	(268)	(38)	40,890
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(32,649)	(3,661)	1,543	1,322	78	(33,367)
<b>Net value</b>	<b>7,567</b>	<b>(1,129)</b>	<b>(9)</b>	<b>1,054</b>	<b>40</b>	<b>7,523</b>
<b>Other assets</b>						
Gross value	2,606	38	(1,897)	(542)	(48)	157
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(2,621)	(45)	1,895	567	49	(155)
<b>Net value</b>	<b>(15)</b>	<b>(7)</b>	<b>(2)</b>	<b>25</b>	<b>1</b>	<b>2</b>
<b>Fixed assets in process and advances</b>						
Gross value	40,735	48,349	(458)	(45,207)	445	43,864
(Write-down provision)	(9)	-	-	-	(1)	(10)
<b>Net value</b>	<b>40,726</b>	<b>48,349</b>	<b>(458)</b>	<b>(45,207)</b>	<b>444</b>	<b>43,854</b>
<b>Total property, plant and equipment</b>						
Gross value	1,661,224	105,609	(51,245)	(32,811)	(52)	1,682,725
(Write-down provision)	(25,335)	(346)	4,260	14	(2)	(21,409)
(Accumulated depreciation)	(1,035,155)	(98,423)	40,530	23,514	1,391	(1,068,143)
<b>Net value</b>	<b>600,735</b>	<b>6,841</b>	<b>(6,455)</b>	<b>(9,283)</b>	<b>1,338</b>	<b>593,173</b>



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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 referred mainly to the entry into operation of property, plant, equipment and intangible assets relating to projects completed in the reporting year and mainly regarding the new production lines and new industrial equipment. Property, plant and equipment of the subsidiary Fresh and Honest Café Ltd, whose controlling interests were sold in January 2023, were reclassified under Assets held

for sale. These fixed assets amounted to €9.2 million and referred mainly to the land and buildings in the industrial plant in Sri City (€6.6 million) and espresso machines and commercial equipment (€2.2 million). At 31 December 2022, the balance of all assets and liabilities of the subsidiary Fresh and Honest Café Ltd were reclassified to assets and liabilities held for sale, respectively, and adjusted to the related fair value. For details and information on the effect of these reclassifications, reference should be made to the dedicated section.

## 10.5 INVESTMENTS

Investments recognised in the Consolidated Financial Statements at 31 December 2022 were as follows:

	% HELD	31.12.2022	31.12.2021	CHANGES
<b>Investments:</b>				
<b>a) Subsidiaries measured at cost</b>				
Lavazza Maroc S.a.r.l.	100	1	1	-
Lavazza Trading (Shenzhen) Co. Ltd	100	1,000	1,000	-
<b>Total subsidiaries measured at cost</b>		<b>1,001</b>	<b>1,001</b>	
<b>b) in Joint Ventures - associates measured at equity</b>				
La Manufacture de Café Alain Ducasse S.a.s.	50	134	425	(291)
Y&L Coffee Ltd	35	21,429	30,271	(8,842)
<b>Total Joint Ventures - associates measured at equity</b>		<b>21,563</b>	<b>30,696</b>	<b>(9,133)</b>
<b>c) Associates measured at cost</b>				
International Coffee Partners G.m.b.H.	20	25	25	-
<b>Total associates measured at cost</b>		<b>25</b>	<b>25</b>	
<b>d) Other companies valued at FV</b>				
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.	0.39	3,655	4,965	(1,310)
Clubitaly S.p.A.		6,536	6,536	
Connect Ventures One LP	3	934	1,884	(950)
Solar Investment Group B.V.	0.00		158	(158)
Immobilière 3 F (formerly Le Foyer du Fonctionnaire)	n.a.	-	-	-
Consorzio Nazionale Imballaggi	n.a.	-	-	-
<b>Companies valued at FV through profit or loss</b>		<b>11,131</b>	<b>13,549</b>	<b>(2,418)</b>
INV. A.G. S.r.l.		-	13,049	(13,049)
<b>Companies valued at FV through OCI</b>		<b>-</b>	<b>13,049</b>	<b>(13,049)</b>
<b>Total other companies valued at FV</b>		<b>11,131</b>	<b>26,598</b>	<b>(15,467)</b>
<b>Total</b>		<b>33,720</b>	<b>58,320</b>	<b>(24,600)</b>

The interest in the Chinese associate Y&L Coffee Ltd, incorporated two years ago to study and develop the Lavazza Coffee Shop concept in China, remained unchanged at 35%.

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 €11 million carried by the latter.

The loss recorded during the year was due to the

persistence of the Covid-19 effects in China, which resulted in a slowdown in store openings and business development: at the end of 2022, only 85 of the 200 planned Lavazza Coffee Shops had been opened. In the Group's strategies, China continues to be considered a fast-growing market where it aims to continue expanding with the goal of opening new Coffee Shops in the next three years.

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The investment in La Manufacture de Café Alain Ducasse S.a.s., a 50%-owned French company, was also adjusted at year-end to account for the value of the portion of equity attributable to the Group, recognising an operating loss of €0.3 million.

In the reporting year, the investment in Solar Investment Group B.V. was sold for a consideration equal to its book value.

As reported in the following tables, the movements in other companies refer essentially to adjustments to fair value (FV), except for the investment in INV. A.G. S.r.l. that was sold in the year.

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 VALUED AT FV THROUGH OCI)**

<b>1 January 2021</b>	<b>6,394</b>
Sales	-
Purchases	-
Total profit and losses recognised through OCI	6,655
<b>31 December 2021</b>	<b>13,049</b>
Sales	(12,146)
Purchases	-
Total profit and losses recognised through OCI	(903)
<b>31 December 2022</b>	<b>-</b>

#### **OTHER INVESTMENTS VALUED AT FV THROUGH PROFIT OR LOSS**

<b>1 January 2021</b>	<b>11,195</b>
Sales	-
Purchases	337
Total profit and losses recognised through Profit and Loss	2,017
<b>31 December 2021</b>	<b>13,549</b>
Sales	(605)
Purchases	-
Total profit and losses recognised through Profit and Loss	(1,813)
<b>31 December 2022</b>	<b>11,131</b>

Notes 10.21 and 10.22 provide further information in this regard.

## 10.6 NON-CURRENT AND CURRENT FINANCIAL ASSETS

	31.12.2022	31.12.2021	CHANGES
Finance lease and other minor receivables	5,769	4,068	1,701
Financial trade receivables	10,435	11,786	(1,351)
Write-down provision for doubtful financial trade receivables	(3,375)	(4,330)	955
<b>Total non-current financial receivables</b>	<b>12,829</b>	<b>11,524</b>	<b>1,305</b>
Mutual funds and other non-current securities	1,325	1,630	(305)
Insurance policies	18,412	18,499	(87)
Derivatives and other hedging instruments	27,141	2,185	24,956
<b>Non-current securities and non-current financial instruments</b>	<b>46,878</b>	<b>22,314</b>	<b>24,564</b>
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>	<b>59,707</b>	<b>33,838</b>	<b>25,869</b>

	31.12.2022	31.12.2021	CHANGES
Financial receivables from others	16,527	16,402	125
Financial trade receivables	20,393	28,585	(8,192)
Write-down provision for doubtful financial trade receivables	(4,428)	(4,645)	217
Financial receivables from companies controlled by Parent Companies	116,412	70,741	45,671
<b>Total current financial receivables</b>	<b>148,904</b>	<b>111,083</b>	<b>37,821</b>
Derivatives and other hedging financial instruments	4,442	16,499	(12,057)
Equity securities	20,391	21,351	(960)
Bonds	203,872	227,962	(24,090)
Certificates of deposit	-	-	-
Mutual investment funds	1,869	1,104	765
Other current securities	7	19	(12)
<b>Total current securities and current financial instruments</b>	<b>230,581</b>	<b>266,935</b>	<b>(36,354)</b>
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>379,485</b>	<b>378,018</b>	<b>1,467</b>



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## FINANCIAL RECEIVABLES

Finance lease receivables referred:

- for approximately €2.2 million to the sale through a finance lease contract of some special models of coffee machines for OCS customers. As a finance lease transaction, in addition to recognising the receivable, it entails the booking of interest income among financial income and expenses; in the year, the receivable was written down by €705 thousand to bring its value in line with the presumable realisable value;
- for about €3.6 million to an 18-year finance lease contract entered into with Cofincaf S.p.A. and regarding a building located in Turin's historical centre.

Financial trade receivables, broken down by current and non-current, referred to loans granted to customers by the subsidiary Cofincaf S.p.A. and were tested to verify the recoverability of their value pursuant to IFRS 9. Based on the analyses carried out, Cofincaf's trade receivables were adjusted for the relevant write-down provision to bring their value into line with the presumable realisable value, as reported below:

	<b>PROVISION FOR THE WRITE-DOWN OF FINANCIAL TRADE RECEIVABLES</b>
<b>Balance at 31.12.2021</b>	<b>(8,975)</b>
Provisions	-
Uses	1,172
Reclassifications	-
Exchange rate delta	-
<b>Balance at 31.12.2022</b>	<b>(7,803)</b>

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

DESCRIPTION	2022		2021	
	FINANCIAL RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES	FINANCIAL RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES
Not yet due	29,237	(7,320)	38,603	(8,216)
Less than 30 days	2	-	1	-
30-90 days	6	(1)	9	(1)
Within one year	457	(62)	678	(68)
Within five years	584	(383)	672	(430)
Over five years	542	(37)	407	(260)
<b>Breakdown of receivables by maturity</b>	<b>30,828</b>	<b>(7,803)</b>	<b>40,371</b>	<b>(8,975)</b>
Write-down	(7,803)		(8,975)	
<b>Total</b>	<b>23,025</b>		<b>31,396</b>	

Financial receivables from companies controlled by parent companies chiefly referred to two loans for a total amount of €115 million granted in 2019 and in 2022 by the subsidiary Lavazza Capital S.r.l. to the company Torino 1895 Investimenti S.p.A., a fully owned subsidiary of Finlav S.p.A. The remainder refers to receivables attributable to the Cash Pooling with other subsidiaries of Finlav S.p.A.

With the exception of the receivable arising from the property lease granted by Cofincaf S.p.A., all other non-current financial receivables are due in one to five years.

## FINANCIAL SECURITIES AND HEDGING FINANCIAL INSTRUMENTS

Securities classified as non-current financial assets referred 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 related to ordinary bonds and equities listed on regulated markets and held by the subsidiary Lavazza Capital S.r.l.

Derivatives and other hedging instruments referred to the open positions in hedging derivatives at 31 December 2022 at their fair value.

Notes 10.21 and 10.22 provide further information in this regard.

## 10.7 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities amounted to €76,572 thousand and €79,238 thousand, respectively, at 31 December 2022. Note 11.10 on income taxes provides further details in this regard.

## 10.8 OTHER NON-CURRENT AND CURRENT ASSETS

	31.12.2022	31.12.2021	CHANGES
Guarantee deposits	3,257	3,040	217
Other non-current receivables	859	1,016	(157)
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>4,116</b>	<b>4,056</b>	<b>120</b>
Tax receivables	61,468	28,416	33,052
Advances to suppliers	6,463	3,935	2,528
Prepayments and accrued income	34,494	37,541	(3,047)
Other receivables	1,862	2,002	(140)
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>104,287</b>	<b>71,894</b>	<b>32,393</b>



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Tax receivables amounted to €61.5 million and mainly related to VAT receivables claimed by the Parent Company and other Group companies.

They also included tax receivables claimed by the Parent Company for ordinary capital goods 2020 L. 160/2019 (€6 million), utilities (€4 million), Research and Development, IT and Green IT (€4 million).

They increased significantly on the previous year, mainly due to the VAT receivable from the Italian revenue authorities due to the reaching of the VAT ceiling near the end of the year. The Parent Company was therefore forced to undertake taxable imports, resulting in taxes payable to the Italian Customs Agency of €32 million, with deductible VAT. Accordingly, this

transaction entailed an increase in both VAT receivable and trade payables.

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

	31.12.2022	31.12.2021	CHANGES
Raw materials, ancillaries and consumables (gross value)	342,990	242,995	99,995
Write-down provision for raw materials, ancillaries and consumables	(3,879)	(4,448)	569
<b>Raw materials, ancillaries and consumables (net value)</b>	<b>339,111</b>	<b>238,547</b>	<b>100,564</b>
Work in process (gross value)	9,817	3,457	6,360
Write-down provision for work in process	(1,000)	(1,000)	-
<b>Work in process (net value)</b>	<b>8,817</b>	<b>2,457</b>	<b>6,360</b>
Finished products and goods (gross value)	322,892	226,924	95,968
Write-down provision for finished products and goods	(23,798)	(22,883)	(915)
<b>Finished products and goods (net value)</b>	<b>299,094</b>	<b>204,041</b>	<b>95,053</b>
<b>Advances</b>	<b>1,381</b>	<b>876</b>	<b>505</b>
<b>TOTAL</b>	<b>648,403</b>	<b>445,921</b>	<b>202,482</b>

Compared to the previous year, the inventory of raw materials increased primarily due to the green coffee component, whose market price rise in 2022 reflected also on the R&G and Capsule Finished Products.

As illustrated in greater detail in the section dedicated to commodity risk management in the Report on Operations, the exponential increase in green coffee prices deeply impacted the whole year.

When the market opened in January 2022, the Robusta price was 2,467 \$/tonne. It fluctuated but remained above 1,900 \$/tonne until October, when it reached a low of 1,808 \$/tonne on 16 November, followed by a slight recovery to 1,869 \$/tonne on 30 December.

Arabica began the year at 223 \$cts/lb and, after a peak of 258 \$cts/lb on 9 February, prices remained within a trading range of 200 to 250 \$cts/lb until mid-October, to then close at 167 \$cts/lb.

At 31 December 2022, 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 2022 and at 31 December 2021:

	31.12.2022	31.12.2021	CHANGES
Trade receivables <12 months	287,365	276,387	10,978
Provision for write-down of receivables	(16,434)	(16,840)	406
<b>Total trade receivables</b>	<b>270,931</b>	<b>259,547</b>	<b>11,384</b>

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

At the end of December, some factoring transactions were carried out for a total amount of €25 million.

The following table provides the breakdown of receivables by ageing and the related write-down provision for the years 2022 and 2021:

	2022		2021	
	TRADE RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES	TRADE RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES
Not yet due	217,174	(6,259)	232,281	(6,265)
Less than 30 days	36,499	(217)	21,558	(1,041)
30-90 days	21,235	(1,116)	12,729	(1,779)
Within one year	7,752	(4,567)	4,473	(2,422)
Within five year	3,930	(3,500)	4,506	(4,492)
Over five years	775	(775)	841	(841)
<b>Breakdown of receivables by maturity</b>	<b>287,365</b>	<b>(16,434)</b>	<b>276,387</b>	<b>(16,840)</b>
Write-down	(16,434)		(16,840)	
<b>Total</b>	<b>270,931</b>		<b>259,547</b>	

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, trade receivables were adjusted for the relevant write-down provision to bring their value into line with the presumable realisable value. Movements in the relevant provisions are reported in the following table:

PROVISION FOR WRITE-DOWN OF RECEIVABLES, CURRENT	
<b>31.12.2021</b>	<b>(16,840)</b>
Provision for the year	(7,464)
Uses	7,921
Release to income	-
Adjustment for amounts in foreign currency	(89)
Change in consolidation area and other changes	38
<b>31.12.2022</b>	<b>(16,434)</b>

The provision for the write-down of receivables, defined as per IFRS 9, included a provision of €7.5 million and uses amounting to €7.9 million.

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## 10.11 CURRENT TAX RECEIVABLES

Current tax receivables of €32 million included receivables from the Parent Company of €25 million, mainly relating to the Parent Company and arising from 2022 IRES (company income tax) prepayments made during the year according to the historical method, in excess of taxes assessed, and taxes receivables for other income taxes of €7 million.

Receivables from the Parent Company referred to receivables claimed from Finlav S.p.A. by some Group companies participating in the national tax consolidation programme.

Other tax receivables referred to income taxes and were 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 2022 and at 31 December 2021 were broken down as follows:

	31.12.2022	31.12.2021
Bank and post office deposits	290,937	633,809
Bank deposits in foreign currencies	38,815	71,957
Cash and valuables on hand	751	796
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>330,503</b>	<b>706,562</b>

Cash and cash equivalents consisted 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 amounted to approximately €39 million, chiefly in Dollars, 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 2022, fully subscribed and paid-up share capital consisted of 25,090,000 ordinary shares, with a nominal value of €1 each.

Share capital increased by €90,000 compared to the previous year following the contribution in favour of the Parent Company of the minority interests (7%) that the parent Finlav S.p.A. held in the subsidiary Lavazza Premium Coffees Corp., as approved by the Shareholders' Meeting on 14 June 2022.

The transaction took the form of a capital increase reserved for the shareholder Finlav S.p.A. and was finalised through the €90,000 increase of the share capital (= 90,000 newly issued treasury shares with a nominal value of €1 each) and a €8,910,000 increase in the share premium account.

### 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.



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## OTHER CAPITAL RESERVES

This item mainly includes the other reserves recognised in the Financial Statements of the Parent Company that at 31 December 2022 were broken down as follows:

	31.12.2022	31.12.2021	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	-
<b>Total revaluation reserves</b>	<b>361,721</b>	<b>361,721</b>	-
Legal reserve	5,000	5,000	-
Extraordinary reserve	211,519	211,519	-
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	-	-	-
<b>Other reserves</b>	<b>274,422</b>	<b>274,422</b>	-
<b>TOTAL</b>	<b>636,143</b>	<b>636,143</b>	-

\* 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

Other components of comprehensive income at 31 December 2021 and 31 December 2022 were as follows:

CHANGES AT 31 DECEMBER 2021	(LOSS)/ GAIN FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)	(LOSS)/ GAIN FROM SECURITIES	TRANSLATION DIFFERENCES OF FOREIGN FINANCIAL STATEMENTS	(LOSS)/ GAIN FROM REVALUATION OF DEFINED BENEFIT PLANS	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
<b>Total</b>	<b>47,065</b>	<b>6,655</b>	<b>52,304</b>	<b>4,049</b>	<b>110,073</b>

CHANGES AT 31 DECEMBER 2022	(LOSS)/ GAIN FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)	(LOSS)/ GAIN FROM SECURITIES	TRANSLATION DIFFERENCES OF FOREIGN FINANCIAL STATEMENTS	(LOSS)/ GAIN FROM REVALUATION OF DEFINED BENEFIT PLANS	TOTAL
Gains (losses) from the translation of financial statements denominated in currencies other than the Euro	-	-	25,715	-	25,715
Derivatives to hedge exchange-rate risk	(20,140)	-	-	-	(20,140)
Derivatives to hedge commodity risk	(41,999)	-	-	-	(41,999)
Interest rate swaps	21,439	-	-	-	21,439
Loss on AFS financial instruments	-	(903)	-	-	(903)
Actuarial changes on pension plans	-	-	-	17,429	17,429
<b>Total</b>	<b>(40,700)</b>	<b>(903)</b>	<b>25,715</b>	<b>17,429</b>	<b>1,541</b>



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The loss on derivative instruments arising from the €41 million decline in the cash flow hedge reserve was due both to the effect of green coffee price risk hedging strategies (with a negative result due to the downtrend in market prices) and their economic impacts, which were deferred to 2023 (in conjunction with the accounting recognition of the supplies hedged) as a result of the application of hedge accounting, as well as to the foreign exchange derivative portfolio (due in particular to the performance of the US Dollar against the Euro).

The gain on the increase in the reserve was instead due to the effect of interest rate risk hedging (interest rate swaps), which benefited from the sharp rise in Euro interest rates.

At year-end, the total balance sheet amount of the cash flow hedge reserve was slightly positive at €1.6 million, as reported in the Consolidated Statement of Changes in Equity.

### DISTRIBUTIONS MADE AND PROPOSED

During the year, the Parent Company distributed ordinary dividends in the amount of €42,750 thousand. Proposed dividends on ordinary shares are subject to approval by the annual Shareholders' Meeting.

## 10.14 FINANCIAL LIABILITIES NON-CURRENT AND CURRENT

	31.12.2022	31.12.2021	CHANGES
Bank loans	299,393	453,817	(154,424)
Lease liabilities	-	-	-
Payables for options on the purchase of investments	-	33,335	(33,335)
Derivatives and other hedging instruments	36	2,498	(2,462)
Withholdings as guarantees for purchases of investments	-	-	-
<b>TOTAL NON-CURRENT FINANCIAL LIABILITIES</b>	<b>299,429</b>	<b>489,650</b>	<b>(190,221)</b>

	31.12.2022	31.12.2021	CHANGES
Other short-term bank payables	25,739	9,156	16,583
Bank loans (current portion)	156,788	190,172	(33,384)
Payables to other lenders	-	113	(113)
Derivatives and other hedging instruments	19,123	1,588	17,535
Other liabilities	-	3	(3)
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>201,650</b>	<b>201,032</b>	<b>618</b>

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

- 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 €155 million; therefore, the outstanding residual debt at 31 December 2022 totalled €157 million and will be fully repaid in the following year. This loan was converted to a fixed rate by an interest rate swap transaction;
- Corporate loan of approximately €300 million relating to a corporate financing contract belonging to the sustainability-linked loan category, taken out with a banking pool composed of four 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 to sustainability targets, which are observed and measured annually and which allow the Company to benefit from reductions in interest pricing.

Both the hot money financing of €20 million contracted by the Parent Company in the previous year and the short-term financing of €15 million in place at the end of 2022 for the subsidiary Cofincaf S.p.A. were repaid in the reporting year.

Other short-term bank payables of €26 million were due from the subsidiary Cofincaf S.p.A. in support of financial trade receivables.

In 2022, the payable for call options on investments was discharged due to the exercise of the call option by the Parent Company for the purchase of the non-controlling interest in Kicking Horse Coffee Co. Ltd.

Before the right was exercised and the payment made, the payable was adjusted to its fair value for an additional €6 million, compared to the balance of €33 million in the previous year.

The outstanding loans are not subject to any covenants.

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

DESCRIPTION	NON-CURRENT FINANCIAL LIABILITIES	MATURITY 2024	MATURITY 2025	MATURITY 2026	MATURITY 2027	BEYOND
Bank loans	299	60	120	119	-	-
<b>Total</b>	<b>299</b>	<b>60</b>	<b>120</b>	<b>119</b>	<b>-</b>	<b>-</b>

Notes 10.21 and 10.22 provide further information on financial liabilities.



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## 10.15 RIGHT-OF-USE LIABILITIES NON-CURRENT AND CURRENT

Non-current right-of-use liabilities amounted to €119 million, whereas current right-of-use liabilities were €13 million, of which €4.6 million referring to the lease agreement for the Nuvola Headquarters.

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

DESCRIPTION	NON-CURRENT LIABILITIES	MATURITY 2024	MATURITY 2025	MATURITY 2026	MATURITY 2027	BEYOND
Lease liabilities for the Nuvola HQ	62	5	5	5	5	43
Other right-of-use liabilities	52	10	7	5	5	24
<b>Total</b>	<b>114</b>	<b>15</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>67</b>

## 10.16 PROVISIONS FOR EMPLOYEE BENEFITS

	SEVERANCE INDEMNITIES	PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	TOTAL PROVISIONS FOR EMPLOYEE BENEFITS
<b>Balance at 31.12.2022</b>	<b>25,303</b>	<b>60,639</b>	<b>85,942</b>
Increases	1,693	2,344	4,037
Uses/Adjustments	(6,772)	(21,428)	(28,200)
Other	527	(667)	(140)
Exchange rate delta	(7)	-	(7)
Changes in consolidation area	-	-	-
<b>Balance at 31.12.2022</b>	<b>20,744</b>	<b>40,888</b>	<b>61,632</b>

Provisions for employee benefits declined compared to 2021 due to the adjustment to actuarial values, which was significantly impacted by the interest rate increase in 2022.

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 were recognised. On the other hand, employee termination indemnities accrued up to 31 December 2006 continued 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.



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Provisions for pensions and similar obligations primarily referred 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 2022 in connection with employee termination indemnities and similar items.

<b>Liabilities (assets) at 1 January 2022</b>	<b>25,303</b>
<b>Amounts included in the statement of profit or loss:</b>	
Current service costs	703
Net interest	73
Other services	-
<b>Total</b>	<b>776</b>
<b>Amounts included in the statement of comprehensive income:</b>	
Profit (losses) from changes in actuarial assumption	(3,636)
<b>Total</b>	<b>(3,636)</b>
<b>Other movements:</b>	
Benefits paid	(1,608)
Benefits transferred	-
Curtailment	-
Exchange-rate delta and change in consolidation scope	(91)
<b>Total</b>	<b>(1,699)</b>
<b>Liabilities (assets) at 31 December 2022</b>	<b>20,744</b>

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	2022
Discount rate	AA euro composite curve at 31 December 2022
Personnel turnover rate	1.3 % - 4%
Expected inflation rate	3% 2023; 2.5% 2024; then 2%

The following is a summary of the quantitative sensitivity analysis for the significant assumptions adopted at 31 December 2022.

ASSUMPTIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	CHANGE INVESTIGATED	IMPACT OF INCREASE	IMPACT OF DECREASE
Discount rate	20,744	21,147	20,284
Personnel turnover rate	20,744	20,921	20,459
Expected inflation rate	20,744	21,012	20,483

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	2022
Within 12 months	1,576
From 1 to 4 years	4,516
Beyond 4 years	42,328
<b>Total</b>	<b>48,420</b>

The expected cash flows for future payments under the plan are not so material 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	2022
Interest rate	1.31%
Salary growth rate	2.00%
Expected inflation rate	2.20%
Expected mortality rate	RT 2018G

DESCRIPTION	CHANGE INVESTIGATED	IMPACT OF INCREASE	IMPACT OF DECREASE
Interest rate	37,363	34,587	40,042
Salary growth rate	37,363	37,433	36,908
Expected inflation rate	37,363	38,887	35,583
Expected mortality rate	37,363	37,976	36,335

## 10.17 PROVISIONS NON-CURRENT AND CURRENT

The following table provides information on the movements of provisions at 31 December 2022:

	31.12.2021	PROVISIONS	USES	RECLASSIFICATION	EXCHANGE RATE DELTA	CHANGE IN CONSOLIDATION AREA	31.12.2022
Provision for litigations	17,097	3,717	(1,487)	165	19	-	19,511
Provision for agents' customer compensation	2,945	176	(503)	-	-	-	2,618
Provision for product warranty	8,863	164	(250)	-	(11)	-	8,766
Other provisions - liabilities	98,043	6,094	(10,326)	(38,443)	(16)	-	55,352
<b>Provisions for future risks and charges (non current)</b>	<b>126,948</b>	<b>10,151</b>	<b>(12,566)</b>	<b>(38,278)</b>	<b>(8)</b>	<b>-</b>	<b>86,247</b>
Provisions for bonuses and employee benefits to be paid	26,438	19,496	(21,337)	39,240	131	-	63,968
Other provisions	7,123	10,516	(2,137)	-	30	-	15,532
<b>Provisions (current)</b>	<b>33,561</b>	<b>30,012</b>	<b>(23,474)</b>	<b>39,240</b>	<b>161</b>	<b>-</b>	<b>79,500</b>

The provision for litigation was recognised to account for risks relating to 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 referred 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.

Provision for product warranty remained essentially unchanged and mainly referred to future contingencies of the Parent Company and Nims S.p.A. attributable to coffee machine warranties and returns.



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Other provisions for non-current future risks and charges of €55 million mainly included:

- provisions for risks and charges for industrial production conversion projects aimed at obtaining sustainable packaging. 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;
- provisions for personnel costs, allocated by the Parent Company for medium/long-term bonuses and incentives for employees;
- provisions for charges relating to industrial reorganisation of other Group companies.

The provisions allocated for developing production line conversion projects amounted to approximately €5 million, to account for costs for converting the production lines under the compostable capsule project, and were used for €4 million for the charges incurred

## 10.18 CURRENT TAX PAYABLES

Current tax payables amounted to €2.7 million and included tax payables to the parent company and other income tax payables (€2.5 million). Payables to the parent company refer to the receivables

## 10.19 TRADE PAYABLES

The item amounted to €500 million and included payables for the supply of raw materials and services due within one year.

During the year, the Group undertook factoring transactions through its subsidiary Cofincaf S.p.A. that

by the Group for converting the production lines for manufacturing sustainable packaging.

Provisions for personnel costs were released for €4.5 million to adjust their value to the future contingencies.

Provisions for current risks and charges mainly include staff bonuses and benefits, as well as provisions for charges arising from the Group's reorganisation and rationalisation payable in the subsequent year.

The provision for charges for reorganisation of the Parent Company increased by approximately €6 million due to reorganisation activities and was partially used to cover the related costs incurred during the year. Provisions for charges for reorganisations of other Group companies of approximately €4.5 million were recognised and reduced by draw-downs and releases totalling €1.5 million.

The reclassifications refer essentially to the medium-to-long-term bonuses and incentives component for employees set to come due in the following year and, to a residual extent, to a more accurate representation of liabilities classified as payables in the previous year.

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.

entailed advance payment of some trade payables in return for financial income determined on the basis of interest rates applied on the market.

At year-end, factored payables amounted to €7.6 million.

## 10.20 OTHER NON-CURRENT AND CURRENT LIABILITIES

	31.12.2022	31.12.2021	CHANGES
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>659</b>	<b>1,310</b>	<b>(651)</b>
VAT payables	4,253	3,582	671
Withholdings to be paid as withholding agents	4,502	4,645	(143)
Other miscellaneous tax payables <12	6,986	5,438	1,548
<b>Total other current tax payables</b>	<b>15,741</b>	<b>13,665</b>	<b>2,076</b>
Advances	28,686	26,981	1,705
Payables to social security institutions <12	10,705	12,233	(1,528)
Payables to personnel	29,962	28,773	1,189
Payables to shareholders and bondholders	627	512	115
Other payables to third parties	935	854	81
<b>Total other current payables</b>	<b>70,915</b>	<b>69,353</b>	<b>1,562</b>
14 <sup>th</sup> month salary and holiday leave	3,961	3,590	371
Other operating accrued expenses	42	39	3
<b>Total accruals</b>	<b>4,003</b>	<b>3,629</b>	<b>374</b>
Deferred lease liabilities	303	294	9
Other deferred income	6,578	6,523	55
<b>Total deferred income</b>	<b>6,881</b>	<b>6,817</b>	<b>64</b>
<b>OTHER CURRENT LIABILITIES</b>	<b>97,540</b>	<b>93,464</b>	<b>4,076</b>

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.

The movements reported in the year by other current liabilities referred mainly to the increase in advances and other tax payables. The latter increased due to payables relating to the Coffee Tax (tax on importation of finished coffee products) due from the subsidiary Lavazza Deutschland G.m.b.H.

## 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 2022 and 31 December 2021, revised according to the classification rules set out in IFRS 7 – Financial Instruments: Disclosure, are presented below.



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	MEASUREMENT AT AMORTISED COST		MEASUREMENT AT FV THROUGH PROFIT OR LOSS		MEASUREMENT AT FV THROUGH OCI	
	2022	2021	2022	2021	2022	2021
<b>Operating assets</b>						
Cash and cash equivalents	330,503	706,562	-	-	-	-
Trade receivables	270,931	259,547	-	-	-	-
Other current assets (excluding tax receivables)	42,819	43,478	-	-	-	-
Other non-current assets (excluding tax receivables)	4,116	4,056	-	-	-	-
<b>Non-current financial assets</b>						
Financial receivables	12,829	11,524	-	-	-	-
Mutual funds	-	-	1,325	1,630	-	-
Insurance policies	-	-	18,412	18,499	-	-
Derivatives and other hedging instruments	-	-	-	-	27,141	2,185
<b>Current financial assets</b>						
Financial receivables	148,904	111,083	-	-	-	-
Derivatives and other hedging financial instruments	-	-	-	-	4,442	16,499
Equity securities	-	-	20,391	21,351	-	-
Bonds	-	-	203,872	227,962	-	-
Mutual investment funds	-	-	1,869	1,104	-	-
Other current securities	-	-	7	19	-	-
Investments in other companies	-	-	11,131	13,549	-	13,049
<b>Operating liabilities</b>						
Trade payables	500,220	412,932	-	-	-	-
Other current liabilities (excluding tax liabilities)	81,799	79,799	-	-	-	-
Other non-current liabilities (excluding tax liabilities)	659	1,310	-	-	-	-
<b>Non-current financial liabilities</b>						
Bank loans	299,393	453,817	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Right-of-use liabilities, non current	114,017	125,478	-	-	-	-
Payables for options on the purchase of investments	-	-	-	33,335	-	-
Derivatives and other hedging instruments	-	-	-	-	36	2,498
<b>Current financial liabilities</b>						
Other short-term bank payables	25,739	9,156	-	-	-	-
Bank loans (current portion)	156,788	190,172	-	-	-	-
Right-of-use liabilities, current	17,564	17,486	-	-	-	-
Payables to other lenders	-	113	-	-	-	-
Derivatives and other hedging instruments	-	-	-	-	19,123	1,588
Other liabilities	-	3	-	-	-	-

Detailed information on derivatives is provided here below.

## DERIVATIVES

The Group is exposed to the fluctuations both in the purchase prices of green coffee and 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 prices and exchange rates on expected cash flows, in accordance with its risk management policy the Group uses derivative instruments solely for hedging purposes. In detail, 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.

In addition, the Group also had recourse to financial derivatives (interest rate swaps) to transform the rate on the corporate loans, commented upon in the section regarding payables to banks, from variable to fixed so as to hedge against the risk of fluctuation in the relevant interest rates.

## NON-CURRENT DERIVATIVE ASSETS

The item includes the positive fair value of outstanding derivatives at 31 December 2022 with a duration in excess of 12 months, contracted in order to hedge against foreign exchange and interest rate risk.

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

	2022		2021	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Exchange rates on sales	10,999	154	2,302	22
Interest rates on loans	300,000	26,987	300,000	2,163
<b>Total</b>	<b>310,999</b>	<b>27,141</b>	<b>302,302</b>	<b>2,185</b>

## CURRENT DERIVATIVE ASSETS

The item includes the positive fair value of outstanding derivatives at 31 December 2022 with a duration of less than 12 months, contracted in order to hedge against foreign exchange rate risks.

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

	2022		2021	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Commodities on purchase of green coffee	-	-	2,516	188
Exchange rates on sales and purchase of green coffee	36,412	1,407	329,750	16,311
Interest rates - Loans	155,000	3,035	-	-
<b>Total</b>	<b>191,412</b>	<b>4,442</b>	<b>332,266</b>	<b>16,499</b>

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**FINANCIAL DERIVATIVE LIABILITIES**

The item includes the negative fair values of outstanding derivatives at 31 December 2022, entered into to hedge against the risk of fluctuation of exchange rates and green coffee prices.

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

**NON-CURRENT DERIVATIVE LIABILITIES**

	2022		2021	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Exchange rates on sales and purchase of green coffee	5,944	36	72,380	221
Exchange rates on loans	-	-	17,851	6
Interest rates on loans	-	-	310,000	2,271
<b>Total</b>	<b>5,944</b>	<b>36</b>	<b>400,231</b>	<b>2,498</b>

**CURRENT DERIVATIVE LIABILITIES**

	2022		2021	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Commodities on purchase of green coffee	102,670	5,207	37,695	714
Exchange rates on sales and purchase of green coffee	332,752	13,902	91,114	874
Exchange rates - Other financial assets	14,446	13	-	-
<b>Total</b>	<b>449,868</b>	<b>19,123</b>	<b>128,809</b>	<b>1,588</b>

**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 year.

	2022			2021		
	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Investments in other companies	-	11,131	-	13,049	13,549	-
Mutual funds	3,194	-	-	2,734	-	-
Insurance policies	-	18,412	-	-	18,499	-
Equity securities	20,391	-	-	21,351	-	-
Bonds	203,872	-	-	227,962	-	-
Other current securities	-	7	-	-	19	-
Derivative assets	-	31,583	-	-	18,684	-
Payables for options on the purchase of investments	-	-	-	-	-	33,335
Derivative liabilities	-	19,159	-	-	4,086	-

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



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## 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 operational grants and capital grants.

Capital grants were received in previous years and the accrued portions were recognised during the year.

### OPERATIONAL GRANTS

	AMOUNT RECEIVED
Benefits on expenditures in specific geographical areas	5,253
R&D bonus	724
Grants for investments in photovoltaic or for other energy production systems	221
Government grants for the acquisition or maintenance of properties	4
Grants for training programmes	157
<b>Total</b>	<b>6,359</b>

### CAPITAL GRANTS

	AMOUNT RECEIVED
Government grants for innovation and the acquisition of new equipment	246
Benefits on expenditures in specific geographical areas	350
R&D bonus	242
Grants for other environmental sustainability investments	51
Other	23
<b>Total</b>	<b>912</b>

## 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

### 11.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

This item is broken down as follows:

	YEAR 2022	YEAR 2021	CHANGE
Net revenues from the sale of goods	2,664,819	2,257,635	407,184
Net revenues from the sale of services	50,647	50,758	(111)
<b>TOTAL</b>	<b>2,715,466</b>	<b>2,308,393</b>	<b>407,073</b>

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

GEOGRAPHICAL AREA	YEAR 2022	RATIO %	YEAR 2021	RATIO %	CHANGE	% CHANGE
Italy	721,747	26.6%	671,167	29.1%	50,580	7.5%
Other EU countries and UK	1,444,439	53.2%	1,190,274	51.6%	254,165	21.4%
Non-EU countries	549,279	20.2%	446,952	19.4%	102,327	22.9%
<b>Total</b>	<b>2,715,466</b>	<b>100.0%</b>	<b>2,308,393</b>	<b>100.0%</b>	<b>407,072</b>	<b>17.6%</b>

Net revenues from the sale of goods mainly refer to the sale of packaged coffee and capsules and are 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 revenues from the sale of services, transferred over a specific time period, refer to:

REVENUE RECOGNITION TIMING	YEAR 2022	YEAR 2021	CHANGE
Lease of coffee machines provided on free loan for use	40,648	41,477	(829)
Other services	2,514	3,662	(1,148)
Other rentals	7,485	5,619	1,866
<b>TOTAL</b>	<b>50,647</b>	<b>50,758</b>	<b>(111)</b>



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## 11.2 COST OF SALES

This item includes the following costs:

	YEAR 2022	YEAR 2021	CHANGE
Material and production costs	(1,614,936)	(1,233,276)	(381,660)
Logistic and distribution costs	(131,087)	(106,314)	(24,773)
Fees and commissions on sales	(48,744)	(46,175)	(2,569)
<b>TOTAL</b>	<b>(1,794,767)</b>	<b>(1,385,765)</b>	<b>(409,002)</b>

The change compared to the previous year was mainly due to the increase in the cost of raw materials, the costs of energy sources used in production and logistics and distribution costs. Despite the increase in sales, due in part to the adjustment to the price list, the item's weight on turnover rose from 60% in the previous year to 66% in 2022. The Group did not reflect all of the cost increases in sale prices to remain competitive and maintain market share, which it aims to consolidate in the coming years. This impact was also partially mitigated by the recovery of the sales volumes of companies operating in the OCS and Food Service sectors, which are characterised by higher margins than the Retail channel.

It should be noted that the increase in the market prices of raw materials during the year has not yet been fully reflected in the statement of profit or loss because the cost of sales is still mitigated by the positive effects of purchases at lower prices in the previous year.

The following table provides a breakdown of costs by nature:

	YEAR 2022	YEAR 2021	CHANGE
Purchase of raw materials and third-party products	(1,492,703)	(990,232)	(502,471)
Change in inventories	221,901	55,301	166,600
Costs for services	(362,389)	(278,489)	(83,900)
Costs for use of third-party assets	(2,110)	(2,526)	416
Personnel costs	(66,154)	(55,608)	(10,546)
Amortisation, depreciation and write-downs	(90,267)	(91,219)	952
Provisions for risks	(3,045)	(22,992)	19,947
<b>TOTAL</b>	<b>(1,794,767)</b>	<b>(1,385,765)</b>	<b>(409,002)</b>

The trend in green coffee prices significantly impacted the increase in purchase cost of raw materials. In particular, Arabica began the year at 223 \$cts/lb and early in 2022 was affected by the unforeseeable nature of the Brazilian harvest, which was to begin in May and had suffered the July 2021 frost. After the peak of 258 \$cts/lb on 9 February, prices remained within a trading range of 200 \$cts/lb to 250 \$cts/lb until mid-October. The strong-than-expected harvest and concerns of demand held back by inflation then triggered an initial decline, which gained momentum in October after the rains came and the plants then flowered, indicative of a strong harvest in Brazil for 2023. The price of the first position reached a low of \$151 cts/lb on 18 November 2022, to close the year at 167 \$cts/lb.

Despite benefiting from the excellent harvests of Conilon in Brazil and Vietnam, Robusta partly reflected the performance of Arabica in 2022: it declined by 24% compared to the beginning of the year, against the -32% recorded by Arabica. This was due to the fact that many roasters made greater use of Robusta in their blends, significantly reducing the coffee for export. When the market opened in January 2022, the price was 2,467 \$/tonne. It fluctuated but remained above 1,900 \$/tonne until October, when it reached a low of 1,808 \$/tonne on 16 November, followed by a slight recovery to 1,869 \$/tonne on 30 December.

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).

Provisions for the year referred mainly to the Parent Company and related to the adjustment of provisions already allocated in previous years for the use of sustainable packaging. In fact, the €23 million provisions allocated in the previous year had been mainly attributable to production conversion industrial projects for producing sustainable packaging, in addition to provisions for charges relating to industrial restructuring.

The Group continued to be 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.



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## 11.3 PROMOTIONAL AND ADVERTISING COSTS

This item includes the following costs:

	YEAR 2022	YEAR 2021	CHANGE
Advertising costs	(97,375)	(118,148)	20,773
Promotional costs	(65,125)	(64,038)	(1,087)
Marketing costs	(49,571)	(47,806)	(1,765)
<b>TOTAL</b>	<b>(212,071)</b>	<b>(229,992)</b>	<b>17,921</b>

Totale promotional and advertising costs declined by approximately €18 million, of which €21 million referring to advertising costs. The Group decided to contain advertising costs to partly offset the expected increase in the cost of raw materials that occurred during the year.

The following table provides a breakdown by nature:

	YEAR 2022	YEAR 2021	CHANGE
Purchase of third-party products	(1,192)	(1,107)	(85)
Change in inventories	(6,509)	(6,703)	194
Costs for services	(204,791)	(220,647)	15,856
Costs for use of third-party assets	(74)	(118)	44
Personnel costs	(42)	-	(42)
Amortisation and depreciation	(1,193)	(1,089)	(104)
Other costs	1,730	(328)	2,058
<b>TOTAL</b>	<b>(212,071)</b>	<b>(229,992)</b>	<b>17,921</b>

## 11.4 SELLING COSTS

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

The following table provides a breakdown by nature:

	YEAR 2022	YEAR 2021	CHANGE
Purchase of third-party products	(3,024)	(2,406)	(618)
Change in inventories	(2,154)	(1,549)	(605)
Costs for services and other costs	(48,746)	(37,006)	(11,740)
Costs for use of third-party assets	(2,407)	(3,259)	852
Personnel costs	(133,046)	(126,514)	(6,532)
Write-down of receivables	(7,464)	(6,156)	(1,308)
Amortisation and depreciation	(6,371)	(6,229)	(142)
Provisions for risks	(30)	(134)	104
<b>TOTAL</b>	<b>(203,242)</b>	<b>(183,253)</b>	<b>(19,989)</b>

Selling costs rose by €20 million, mainly due to the increase in costs for services (€12 million) and personnel costs (€7 million). Personnel costs referring to the sales network represented the most significant component.



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## 11.5 GENERAL AND ADMINISTRATIVE EXPENSES

	YEAR 2022	YEAR 2021	CHANGE
Personnel costs	(156,833)	(167,562)	10,729
Costs for services	(47,938)	(39,951)	(7,987)
Advisory services	(29,589)	(33,016)	3,427
Costs for use of third-party assets	(12,372)	(9,365)	(3,007)
Amortisation and depreciation	(35,048)	(31,658)	(3,390)
Other costs	(1,489)	(7,238)	5,749
Remuneration to Directors and Statutory Auditors	(2,578)	(2,529)	(49)
Purchase of third-party products	(805)	(619)	(186)
Change in inventories	(1,203)	(649)	(554)
<b>TOTAL</b>	<b>(287,855)</b>	<b>(292,587)</b>	<b>4,732</b>

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 declined slightly by approximately €5 million, thanks to careful cost management. In detail, personnel costs decreased by about €11 million and advisory services declined by around €3 million, whereas costs for services, costs for use of third-party assets and amortisation and depreciation increased.

## 11.6 RESEARCH AND DEVELOPMENT COSTS

	YEAR 2022	YEAR 2021	CHANGE
Costs for services, net of grants received	(12,628)	(11,802)	(826)
Purchase of materials	(195)	(201)	6
Change in inventories	(652)	(1,163)	511
Other costs	(717)	(313)	(404)
Amortisation and depreciation	(2,367)	(2,308)	(59)
<b>TOTAL</b>	<b>(16,559)</b>	<b>(15,787)</b>	<b>(772)</b>

Research and development costs amounted to about €17 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 2022	YEAR 2021	CHANGE
Royalties	938	984	(46)
Insurance reimbursements	1,249	718	531
Capital gains (losses)	(947)	(131)	(816)
Socially beneficial and charitable expense	(4,855)	(10,196)	5,341
Amortisation and depreciation	(14,290)	(16,498)	2,208
Provisions	(10,008)	(5,405)	(4,603)
Impairment of tangible and intangible assets	(2,700)	(2,542)	(158)
Personnel costs	(6)	(2,884)	2,878
Other income (expense)	2,563	4,218	(1,655)
<b>TOTAL</b>	<b>(28,056)</b>	<b>(31,736)</b>	<b>3,680</b>

Other net operating expense amounted to €28 million and includes amortisation and depreciation (€14 million), mainly referring to the Carte Noire and Merrild know-how acquired in the previous years and amortised based on a useful life of 20 years, in addition to the amortisation of trademarks, know-how and client portfolio acquired at the end of 2018 with the Lavazza Professional business unit.

Socially beneficial and charitable expense concern the recurring donations to non-profit organisations and recognised entities, in support of social, health and cultural projects.

This item included a donation of €2.5 million to the non-profit Giuseppe and Pericle Lavazza Foundation, which has always played an active role in promoting and implementing economic, social and environmental sustainability projects in favour of coffee-growing communities all over the world.

Provisions totalled €10 million and referred mainly to provisions allocated for company restructuring projects and to provisions for charges and legal disputes.

### 11.7.2 OTHER NET ONE-OFF CHARGES

This item amounted to €2 million and referred to costs for legal and advisory services incurred for activities in support of extraordinary transactions, such as the acquisition of MaxiCoffee and the sale of Fresh and Honest Café Limited, both finalised in the first quarter of the following year.

### 11.7.3 PROFIT (LOSS) FROM INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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%-owned French company.



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## 11.8 PERSONNEL COSTS

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

	YEAR 2022	YEAR 2021	CHANGE
Wages and salaries	(253,574)	(259,398)	5,824
Social security contributions	(55,483)	(55,921)	438
Costs for defined benefit plans	(8,762)	(12,729)	3,967
Other costs	(38,817)	(24,833)	(13,984)
<b>Total personnel costs</b>	<b>(356,636)</b>	<b>(352,881)</b>	<b>(3,755)</b>
<i>of which:</i>			
- included in cost of sales	(66,154)	(55,608)	(10,546)
- included in selling costs	(133,046)	(126,514)	(6,532)
- included in other structure costs	(157,436)	(170,759)	13,323
<b>Total personnel costs</b>	<b>(356,636)</b>	<b>(352,881)</b>	<b>(3,755)</b>

Personnel costs amounted to €357 million, slightly increasing by €4 million compared to the previous year. The increase in the various items of the statement of profit or loss related to both variable remuneration policies, such as bonuses and incentives, and fixed remuneration policies, such as salary reviews and mandatory increases, as well as to hiring policies designed to strengthen skills in the various company functions and to securing increasingly qualified personnel in support of the business. In terms of the number of employees, the headcount did not increase significantly compared to the previous year.

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

CATEGORIES	2022	2021
Senior managers - Middle managers	1,018	983
Specialised workers	2,124	2,138
Other workers	1,019	999
<b>Total</b>	<b>4,161</b>	<b>4,120</b>

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

CATEGORIES	2022	2021
Senior managers - Middle managers	1,011	993
Specialised workers	2,156	2,151
Other workers	1,031	1,025
<b>Total</b>	<b>4,198</b>	<b>4,169</b>

## 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 2022 and the previous year:

	YEAR 2022	YEAR 2021	CHANGE
FV adjustments of securities in profit or loss	(24,649)	4,646	(29,295)
Income (expense) from derivatives	213	(7,271)	7,484
Exchange gains (losses)	(11,246)	12,314	(23,560)
Other financial income (expense)	(4,865)	(9,518)	4,653
<b>TOTAL</b>	<b>(40,547)</b>	<b>171</b>	<b>(40,718)</b>

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. This item included fair value changes of derivatives recognised through profit or loss when they do not meet all hedge accounting conditions as per IFRS 9.

Exchange losses amounted to €11.2 million and referred for about €5.7 million to foreign exchange differences recognised to adjust assets and liabilities in 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.

Expense arising from the adjustment to fair value of securities referred, for €6 million, to the amount payable for the call option for the acquisition of Kicking Horse, adjusted to fair value before being paid, and for €19 million to the adjustment to market prices of the securities of Lavazza Capital.

The unfavourable market prices of securities held by Lavazza Capital and the performance of the Euro/Dollar foreign exchange rate in the final months of the year significantly drove the deterioration in financial income and expense compared to the previous year.



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Other financial income and expense were broken down as follows:

OTHER FINANCIAL INCOME	YEAR 2022	YEAR 2021	CHANGE
Other financial income	6,265	2,263	4,002
Interest income from banks	562	928	(366)
Interest income on financial receivables	2,161	1,487	674
<b>Total financial income</b>	<b>8,988</b>	<b>4,678</b>	<b>4,310</b>

OTHER FINANCIAL EXPENSE	YEAR 2022	YEAR 2021	CHANGE
Interest and financial charges paid to banks	(4,784)	(5,234)	450
Interest paid to other lenders	(603)	(105)	(498)
Other financial expense	(8,462)	(8,857)	395
<b>Total financial expense</b>	<b>(13,849)</b>	<b>(14,196)</b>	<b>347</b>

Financial income chiefly refers to the coupons 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 on 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 €2.3 million expense arising from the adjustment to fair value of the assets held for sale relating to the disposal of the investment in the subsidiary Fresh and Honest Café Ltd in the first quarter of the subsequent year.

## DIVIDENDS AND EQUITY INVESTMENTS RESULTS

This item amounted to €921 thousand and refers to dividends on investments in equity securities held by Lavazza Capital S.r.l.

## 11.10 INCOME TAXES

Income taxes for the years ended 31 December 2022 and 2021 were broken down as follows:

	YEAR 2022	YEAR 2021	CHANGE
Current taxes	(20,514)	(52,392)	31,878
Use (provision) for deferred tax liabilities	(7,077)	(10,780)	3,703
Provision (use) for deferred tax assets	2,161	4,709	(2,548)
<b>TOTAL</b>	<b>(25,430)</b>	<b>(58,463)</b>	<b>33,033</b>

Current taxes declined significantly compared to the previous year, chiefly as a result of the Parent Company's lower taxes.

As a result of the tax effect included in OCI:

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	2022	2021
<b>Deferred taxes relating to items recognised in OCI for the year</b>		
Gain/(loss) on the write-up of cash flow hedges	17,263	(17,861)
Unrealised gains/(losses) on financial assets	-	-
Net gain/(loss) on actuarial gains/(losses)	(6,299)	(1,538)
<b>Income taxes in the Consolidated Statement of Other comprehensive Income</b>	<b>10,963</b>	<b>(19,399)</b>

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

<b>GROUP PRE-TAX RESULT</b>	<b>119,986</b>
<b>Theoretical tax rate</b>	<b>24%</b>
<b>GROUP THEORETICAL TAX RATE</b>	<b>(28,797)</b>
Dividends	(315)
Different tax ratio of Group companies	536
Permanent differences	12,448
ACE / Patent Box tax incentives	4,124
Temporary differences for IFRS adjustments and other consolidation adjustments	3,483
Temporary differences	(7,906)
Prior years' tax losses	746
Non-deductible taxes and costs	(8,001)
Prior years' taxes	4,845
IRAP (regional production tax)	(4,028)
Other local taxes	(2,565)
<b>ACTUAL TAX RATE</b>	<b>(25,430)</b>



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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 profit before taxes, 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 the Statement of Financial Position:

	31.12.2021	CHANGE IN CONSOLIDATION AREA	RETURNS	PROVISIONS	EXCHANGE RATE AND OTHER MOVEMENTS	MOVEMENTS TO OCI RESERVE	31.12.2022
<b>DEFERRED TAX ASSETS</b>							
Deferred deductibility costs	71,523		(4,471)	7,923	(1,213)	-	73,762
Elimination of fiscal effect of intercompany profit	5,287	-	(1,291)	-	-	-	3,996
FV adjustment of financial derivatives	(2,777)	-	-	-	-	1,591	(1,186)
<b>Total deferred tax assets</b>	<b>74,033</b>	<b>-</b>	<b>(5,762)</b>	<b>7,923</b>	<b>(1,213)</b>	<b>1,591</b>	<b>76,572</b>
<b>DEFERRED TAX LIABILITIES</b>							
Deferred tax liabilities on depreciation delta	43,175	-	(16,165)	23,362	-	-	50,372
Other differences	23,699	-	(5,451)	5,332	102	-	23,682
FV adjustment of financial derivatives	14,557	-	-	-	-	(9,372)	5,185
<b>Total deferred tax liabilities</b>	<b>81,431</b>	<b>-</b>	<b>(21,617)</b>	<b>28,694</b>	<b>102</b>	<b>(9,372)</b>	<b>79,238</b>

## 12. COMMITMENTS AND RISKS

Commitments and risks are given in the following table:

DESCRIPTION	AMOUNT RECEIVED
Commitments to purchase fixed assets	1,091
Commitments to purchase green coffee	29,077
Other real guarantees granted to third parties	281
Guarantees on credit lines granted to third parties	854
<b>Total</b>	<b>31,303</b>

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 Co. Ltd..

### 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 lent by the subsidiary Lavazza Professional Germany G.m.b.H. To provide a comprehensive view, in addition to the Group's commitment and risk with respect to third parties, the third-party guarantees in our favour are listed here below.

They consist of guarantees given in favour of the Parent Company 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; €303,467 to the Region of Piedmont for clearance work and safety assessment associated with the new Headquarters; €16,702 to Consorzio Nucleo Sviluppo Industriale Isernia for drinking water supply; €463,458 to Customs; and €689,934 for property leases.

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## 13. ASSETS HELD FOR SALE

Assets and liabilities held for sale recognised in the Consolidated Statement of Financial Position at year-end included, in addition to an industrial property located in Baranzate and owned by the Parent Company with a value of €5,247 thousand, the assets and liabilities associated with the fully owned subsidiary Fresh and Honest Café Ltd, consolidated line by line at year-end, a 76% interest in which was sold at the end of January 2023.

In the following year, the Group signed an agreement for the sale of a majority interest in the subsidiary to Culinary Brands. Fresh and Honest Café Limited produces and distributes coffee under its own brand in India and has a production plant in Sri City with an annual production capacity of 9,000 tonnes.

Even after the sale, finalised in 2023, the Lavazza Group will continue to collaborate with the company, in which it retains a 24% interest and which will be the Lavazza Brand's exclusive distributor in India.

Assets and liabilities held for sale are adjusted to their fair value. Accordingly, the Fresh & Honest Café Ltd assets held for sale, initially amounting to €20 million, were adjusted for €2.3 million.

The following table shows the assets and liabilities of Fresh and Honest Café Ltd reclassified as held for sale:

€ thousand	31.12.2022
Other intangible assets	(159)
Rights of use	(259)
Property, plant and equipment	(9,202)
Other non-current assets	(131)
<b>Total non-current assets</b>	<b>(9,751)</b>
Inventories	(3,687)
Trade receivables	(2,320)
Other current assets	(678)
Cash and cash equivalents	(3,645)
<b>Total current assets</b>	<b>(10,330)</b>
<b>Assets held for sale</b>	<b>(20,081)</b>
FV adjustment for assets held for sale	2,345
<b>FV OF ASSETS HELD FOR SALE</b>	<b>17,736</b>
Right-of-use liabilities, non current	(267)
Provisions for employee benefits	(140)
Provisions for future risks and charges	(31)
<b>Total non-current liabilities</b>	<b>(438)</b>
Right-of-use liabilities, current	(11)
Trade payables	(1,550)
Other current liabilities	(891)
<b>Total current liabilities</b>	<b>(2,452)</b>
<b>FV OF LIABILITIES HELD FOR SALE</b>	<b>2,890</b>

The Group does not have any other assets held for sale.



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## 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, commodities price risk, and credit risk.

The Group's management oversees the management of these risks. All derivative activities for risk management purposes are supervised and carried out by specialist teams that have the appropriate expertise 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).



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## 15. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties in 2022 and the previous year:

### 2022

COMPANY	TYPE	SALES OF GOODS AND SERVICES	PURCHASES OF GOODS AND SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSE	TRADE RECEIVABLES	TRADE PAYABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES
Lavazza Trading (Shenzhen) Co. Ltd	Subsidiary	-	1,235	-	-	-	746	-	-
Lavazza Maroc S.a.r.l.	Subsidiary	12	195	-	-	16	124	-	-
Manufacture de Café	Associate	150	-	-	-	183	-	176	-
Y&L Coffee Ltd	Associate	-	-	-	-	-	-	-	-
Yibai Co. LTD	Associate	5,087	-	-	-	941	-	-	-
Torino 1895 Investimenti S.p.A	Other related party	-	-	1,408	-	-	-	115,000	-
Lavazza Entertainment S.r.l.	Other related party	-	-	-	4	-	-	-	474
Lavazza Eventi S.r.l.	Other related party	524	2,787	1	-	589	2,847	188	-
Lea S.r.l.	Other related party	135	867	3	-	187	931	1,048	2
Tosetti Value S.p.A.	Other related party	-	708	-	-	-	-	-	-
Chili S.p.A.	Other related party	-	1,042	-	-	-	12	-	-
<b>Total</b>		<b>5,908</b>	<b>6,834</b>	<b>1,412</b>	<b>4</b>	<b>1,916</b>	<b>4,660</b>	<b>116,412</b>	<b>476</b>

### 2021

COMPANY	TYPE	SALES OF GOODS AND SERVICES	PURCHASES OF 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	Indirect associate	23	-	-	-	23	-	176	-
Y&L Coffee Ltd	Associate	-	-	-	-	-	-	-	-
Yibai Co. LTD	Indirect associate	284	-	-	-	284	-	-	-
Torino 1895 Investimenti 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	-	-
<b>Total</b>		<b>905</b>	<b>5,357</b>	<b>692</b>	<b>1</b>	<b>515</b>	<b>1,727</b>	<b>70,741</b>	<b>826</b>

Sales to and purchases from related parties are carried out at arms' length conditions. For the year ended 31 December 2022, 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.



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Related parties have not changed substantially from the previous year. Relationships with Yi Bai Co. Ltd intensified, in particular with regard to the sales of coffee finished products. Yi Bai Co. Ltd belongs to the Y&L Coffee Limited Group, in which Luigi Lavazza S.p.A. holds a 35% interest.

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

	<b>TOTAL REMUNERATION PAID</b>
Fixed remuneration to Directors	1,887,223
Fixed remuneration to Statutory Auditors	167,440
<b>Total</b>	<b>2,054,663</b>

## 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, in units of Euro, 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 2022, as well as the total amount of consideration accrued for other minor services relating to methodological support activities.

ACTIVITY	COMPANY	2022
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
	E-Coffee Solutions S.r.L. (formerly Lavazza Professional Holding Europe S.r.L.)	5,000
<b>Total</b>		<b>231,000</b>

## 16. POST BALANCE SHEET EVENTS

The Group's attention is currently focused on the exceptional increase in the prices of all raw materials occurred in 2022 — above all green coffee, but also packaging, energy, natural gas, logistics and rentals —, which are also set to have a severe impact on 2023.

At the macroeconomic level, the first few months after the end of 2022 were characterised by a constant fluctuation in the prices of raw materials and commodities, such as green coffee. In January, the Italian national index of consumer prices for all of society increased by 0.1% on a monthly basis and by 10% on an annual basis, down from +11.6% in the previous month. In early February 2023, the European Central Bank once again increased the cost of money by 0.5%, raising the interest rate on deposits to 2.5% and the rate on marginal refinancing operations to 3%, while also announcing that it will continue to increase interest rates significantly at a constant pace and keep them at sufficiently restrictive levels to ensure a prompt return of inflation to its 2% target in the medium term.

Despite the uncertainty in the global macroeconomic scenario and severe price volatility, the Lavazza Group continues and confirms its investment plan to internationalise the brand based on increasing attention to a sustainable approach from an economic, environmental and social standpoint, by valuing people and enhancing the local areas and communities in which it operates.

In January 2023, a 76% interest in the Indian company Fresh and Honest Café Limited was sold; the company will nonetheless remain the Lavazza Brand's exclusive distributor in India.

In February, the Group entered into a financing agreement with a pool of banks consisting of BNL BNP Paribas, BNP Paribas Italian Branch, Banco Bpm, Intesa Sanpaolo, Mediobanca and Rabobank for a total of €600 million, divided into a term loan line and a revolving line, both with terms of five years, and intended to meet the Company's generic needs, including projects in the sustainability arena.

The financing is tied to specific Group ESG (environmental, social and governance) goals, involving an incentive mechanism linked to achieving certain sustainability parameters.

The acquisition of a majority interest in the French company MaxiCoffee, which operates in the e-commerce sector and professional channel, is set to be finalised in the first quarter, contingent on approval by the General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF). The MaxiCoffee acquisition will enable the Group to consolidate its position in France, which has always been a key market, while also strengthening its presence in e-commerce and increasing its coverage of the B2C/consumer market.



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# INDEPENDENT AUDITORS' REPORT



## Luigi Lavazza S.p.A.

Consolidated financial statements as of December 31, 2022

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

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, 2022, and the consolidated statement of profit and loss, 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, 2022, 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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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.

### 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, 2022, 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, 2022 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, 2022 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 12, 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.*

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# ACCOUNTING STATEMENTS

## BALANCE SHEET - ASSETS

	31.12.2022	31.12.2021
<b>A) CALLED-UP SHARE CAPITAL NOT PAID</b>	-	-
<b>B) ASSETS</b>		
<b>I) INTANGIBLE ASSETS</b>		
1) start-up and expansion costs	-	-
2) development costs	8,518,953	5,673,945
3) industrial patent rights and rights for exploitation of intellectual property	15,170,622	1,659,484
4) concessions licenses, trademarks and similar rights	204,931,060	212,040,084
5) goodwill	235,555,701	253,495,695
6) intangible assets in process and advances	13,433,193	7,490,099
7) other	76,878,214	42,887,643
<b>TOTAL INTANGIBLE ASSETS</b>	<b>554,487,743</b>	<b>523,246,950</b>
<b>II) PROPERTY, PLANT AND EQUIPMENT</b>		
1) land and buildings	79,872,526	81,001,120
2) plant and machinery	200,059,658	205,122,026
3) industrial and commercial equipment	36,444,986	45,880,348
4) other assets	10,132,761	10,093,505
5) tangible assets in process and advances	33,597,000	23,097,456
<b>TOTAL TANGIBLE ASSETS</b>	<b>360,106,931</b>	<b>365,194,455</b>
<b>III) FINANCIAL ASSETS</b>		
1) investments in:		
a) subsidiaries	1,362,785,957	1,329,904,796
b) associates	36,534,327	36,534,327
d-bis) other companies	6,258	7,293,917
2) receivables:		
a) from subsidiaries	51,740,727	120,553,359
of which due after one year	51,740,727	120,553,359
d-bis) from others	307,412	757,169
of which due after one year	307,412	757,169
4) derivative financial assets	27,113,720	2,162,940
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>	<b>1,478,488,401</b>	<b>1,497,206,508</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>2,393,083,075</b>	<b>2,385,647,913</b>

	31.12.2022	31.12.2021
<b>C) CURRENT ASSETS</b>		
<b>I) INVENTORIES</b>		
1) raw materials, ancillaries and consumables	301,815,859	215,320,331
2) work in progress and semi-finished goods	6,315,575	2,089,822
4) finished products and goods	153,452,572	94,579,710
5) advance payments	1,381,299	816,319
<b>TOTAL INVENTORIES</b>	<b>462,965,305</b>	<b>312,806,182</b>
<b>II) RECEIVABLES</b>		
1) trade receivables	92,738,981	115,072,525
2) from subsidiaries	334,894,665	280,128,302
3) from associates	941,421	284,477
4) from parent companies	23,663,564	27,500
5) from related companies	2,010,996	594,081
5-bis) tax receivables	52,801,455	16,042,935
5-ter) prepaid taxes	49,380,925	43,881,452
5-quater) other receivables	18,479,389	7,145,402
<b>TOTAL RECEIVABLES</b>	<b>574,911,396</b>	<b>463,176,674</b>
<b>III) FINANCIAL ASSETS OTHER THAN FIXED ASSETS</b>		
5) derivative financial assets	4,005,656	16,079,492
6) other securities	-	-
<b>TOTAL FINANCIAL ASSETS OTHER THAN FIXED ASSETS</b>	<b>4,005,656</b>	<b>16,079,492</b>
<b>IV) CASH AND CASH EQUIVALENTS</b>		
1) bank and post office deposits	152,797,826	483,156,145
3) cash and valuables on hand	130,481	175,156
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>152,928,307</b>	<b>483,331,301</b>
<b>V) TANGIBLE ASSETS HELD FOR SALE</b>	<b>5,236,337</b>	<b>6,236,337</b>
<b>TOTAL WORKING CAPITAL (C)</b>	<b>1,200,047,001</b>	<b>1,281,629,986</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>27,791,226</b>	<b>29,917,731</b>
<b>TOTAL ASSETS</b>	<b>3,620,921,302</b>	<b>3,697,195,630</b>

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## BALANCE SHEET – EQUITY AND LIABILITIES

	31.12.2022	31.12.2021
<b>A) EQUITY</b>		
I. SHARE CAPITAL	25,090,000	25,000,000
II. SHARE PREMIUM ACCOUNT	9,133,523	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	211,519,258
Reserve Re. Art.18 dpr 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	5,019,656	-
Merger surplus	56,953,074	56,953,074
VII. HEDGE RESERVE FOR EXPECTED CASH FLOWS	1,996,486	40,715,275
VIII. PROFIT CARRIED FORWARD	1,601,469,577	1,545,635,099
IX. PROFIT FOR THE YEAR	68,845,115	103,604,137
X. NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	(17,732,533)	(17,732,533)
<b>TOTAL EQUITY</b>	<b>2,394,824,090</b>	<b>2,398,447,767</b>
<b>B) PROVISIONS</b>		
1) for pension and similar obligations	2,699,906	2,797,917
2) for taxes, including deferred	9,282,859	19,149,576
3) derivative financial liabilities	19,079,880	4,040,181
4) other	124,539,568	124,585,112
<b>TOTAL PROVISIONS</b>	<b>155,602,213</b>	<b>150,572,786</b>
<b>C) EMPLOYEE TERMINATION INDEMNITIES</b>	<b>12,211,214</b>	<b>12,138,174</b>

	31.12.2022	31.12.2021
<b>D) LIABILITIES</b>		
4) payables to banks	456,180,496	628,988,723
a) of which due after one year	299,392,757	453,816,903
6) advance payments	1,603,390	1,482,963
7) trade payables	333,610,860	277,214,077
9) payables to subsidiaries	160,697,329	119,528,874
11) payables to the Parent	-	10,315,835
11 bis) payables to related companies	4,261,178	1,684,896
12) deferred tax liabilities	3,779,673	6,094,769
13) social security liabilities	5,002,269	5,412,091
14) other liabilities	83,342,900	76,127,600
<b>TOTAL LIABILITIES</b>	<b>1,048,478,095</b>	<b>1,126,849,828</b>
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>9,805,690</b>	<b>9,187,075</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,620,921,302</b>	<b>3,697,195,630</b>

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## STATEMENT OF PROFIT OR LOSS

	YEAR 2022	YEAR 2021
<b>A) VALUE OF PRODUCTION</b>		
1) net revenues	1,939,223,285	1,660,705,990
2) change in inventories of work in progress, semi-finished and finished goods	63,098,615	520,134
5) other income and revenues:	144,712,170	129,908,132
a) miscellaneous	138,394,607	128,456,182
b) grants	6,317,563	1,451,950
<b>TOTAL VALUE OF PRODUCTION</b>	<b>2,147,034,070</b>	<b>1,791,134,256</b>
<b>B) COSTS OF PRODUCTION</b>		
6) for raw materials, ancillaries, consumables and goods	1,184,852,808	780,547,288
7) for services	662,526,144	580,206,360
8) for use of third-party assets	25,972,334	24,167,103
9) for personnel:	173,529,938	174,346,379
a) wages and salaries	122,136,450	123,480,433
b) social security costs	31,056,295	33,992,308
c) severance indemnities	8,077,843	7,561,739
e) other costs	12,259,350	9,311,899
10) amortisation, depreciation and write-downs	105,795,828	102,095,470
a) amortisation	53,770,721	46,555,584
b) depreciation	50,625,387	51,428,987
c) other write-downs of fixed assets	800,348	2,800,507
d) write-downs of current receivables and of cash and cash equivalents	599,372	1,310,392
11) changes in inventories of raw material, ancillaries, consumables and goods	(86,495,528)	(23,738,055)
12) provisions for risks	7,976,977	23,027,083
13) other provisions	50,000	221,642
14) miscellaneous operating costs	14,240,846	19,130,561
<b>TOTAL COSTS OF PRODUCTION</b>	<b>2,088,449,347</b>	<b>1,680,003,831</b>
<b>DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)</b>	<b>58,584,723</b>	<b>111,130,425</b>

	YEAR 2022	YEAR 2021
<b>C) FINANCIAL INCOME AND EXPENSE</b>		
15) income from investments	32,352,864	25,516,195
- from subsidiaries and associates	31,848,655	25,516,195
- from other subsidiaries	504,209	-
16) other financial income		
a) from non-current receivables	2,245,345	2,796,639
- from subsidiaries and associates	2,245,345	2,796,639
d) income other than the preceding ones	584,718	34,498
- from subsidiaries and associates	278,575	7,899
- from companies controlled by the Parent	4,270	268
- from other companies	301,873	26,331
17) interest and other financial expense	(5,596,546)	(5,725,282)
- to subsidiaries and associates	(530,575)	(620,162)
- paid to companies controlled by the parent company	(3,641)	(235)
- paid to other companies	(5,062,330)	(5,104,885)
17-bis) exchange gains and losses	(8,725,523)	6,196,187
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>20,860,858</b>	<b>28,818,237</b>
<b>D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS</b>		
18) write-ups	27,067,848	1,494,654
a) of equity investments	4,858,369	-
d) of derivatives	22,209,479	1,494,654
19) write-downs:	(32,115,136)	(5,766,246)
a) of equity investments	(6,717,000)	(2,731,408)
b) of financial fixed assets other than investments	-	-
c) of current securities other than investments	-	-
d) of derivatives	(25,398,136)	(3,034,838)
<b>TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>	<b>(5,047,288)</b>	<b>(4,271,592)</b>
<b>PROFIT BEFORE TAXES (A-B+-C+-D)</b>	<b>74,398,293</b>	<b>135,677,070</b>
20) current, deferred and prepaid income taxes for the year	(5,553,178)	(32,072,933)
current taxes	(8,590,603)	(38,886,350)
net deferred tax liabilities	(19,241)	59,875
net deferred tax assets	(1,735,869)	7,133,505
taxes relating to previous years	4,792,535	(379,963)
<b>21) PROFIT FOR THE YEAR</b>	<b>68,845,115</b>	<b>103,604,137</b>

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## STATEMENT OF CASH FLOWS

	YEAR 2022	YEAR 2021
<b>A Cash flows from operating activities</b>		
Profit (loss) for the year	68,845,115	103,604,137
Income taxes	5,553,178	32,072,933
Interest expense / (interest income)	11,492,006	(3,302,042)
Derivatives	3,188,657	1,540,184.00
(Dividends)	(32,352,864)	(25,516,195)
<b>1 Profit (loss) for the year before income taxes, interest, dividends and gains / losses from disposals</b>	<b>56,726,092</b>	<b>108,399,017</b>
<i>Adjustments for non-monetary items that have no offsetting entry in net working capital</i>		
Provisions	30,870,861	56,611,787
Provision of employee severance indemnities	957,814	435,561
Amortisation and depreciation	104,396,107	97,984,571
Write-down / write-up of equity investments and derivatives	6,717,000	2,731,408
Other impairment losses	800,348	2,800,507
Value adjustments to derivative financial assets and liabilities that do not entail monetary movements	(38,718,789)	40,538,183
Other adjustments for non-monetary items	-	-
Net effect of merger	-	(1,097,388)
<b>2 Cash flows before changes in net working capital</b>	<b>161,749,433</b>	<b>308,403,646</b>
<i>Changes in net working capital</i>		
Decrease / (increase) in inventories	(149,159,123)	(19,952,820)
Decrease / (increase) in trade receivables	22,333,544	(13,022,055)
Decrease / Increase of receivables from Group companies	(56,776,997)	(28,260,400)
Increase / (decrease) in trade payables	56,517,210	74,409,327
Decrease / Increase of payables to Group companies	27,835,820	(269,459)
Decrease / (increase) in prepayments and accrued income	2,126,505	(1,198,755)
Increase / (decrease) in accruals and deferred income	618,615	2,855,124
Other changes in net working capital	(18,414,173)	15,259,356
<b>3 Cash flows after changes in net working capital</b>	<b>46,830,834</b>	<b>338,223,964</b>
<i>Other adjustments</i>		
Interest received / (paid)	(1,784,008)	(739,539)
(Income taxes paid)	(45,948,601)	(36,352,816)
Dividends collected	32,352,864	25,516,195
(Use of funds)	(25,841,434)	(26,691,798)
(Severance indemnities paid)	(884,774)	(876,017)
<b>Total cash flows from operating activities (A)</b>	<b>4,724,881</b>	<b>299,079,989</b>

	YEAR 2022	YEAR 2021
<b>B Cash flows from investing activities</b>		
<i>Property, plant and equipment</i>		
(Investments)	(47,184,190)	(46,513,482)
Disposal price	1,311,181	3,041,768
<i>Intangible assets</i>		
(Investments)	(19,939,687)	(21,053,116)
Disposal price	-	-
<i>Financial assets</i>		
(Investments)	(56,198,562)	(58,909,096)
Disposal price	7,287,659	1,833,232
<i>Current financial assets</i>		
(Investments)	-	(782,273)
Disposal price	12,073,836.00	-
<b>Total cash flows from investing activities (B)</b>	<b>(102,649,763)</b>	<b>(122,382,967)</b>
<b>C Cash flows from financing activities</b>		
<i>Third-party funds</i>		
Increase (decrease) in short-term payables + other than to banks	(172,808,227)	164,549,307
Increase (decrease) in financial payables to subsidiaries	(16,919,882)	(4,145,398)
<i>Own funds</i>		
(Dividends (and advances on dividends) paid)	(42,750,003)	(33,075,003)
<b>Total cash flows from financing activities (C)</b>	<b>(232,478,112)</b>	<b>127,328,906</b>
<b>Increase (decrease) in cash and cash equivalents (A + - B + - C)</b>	<b>(330,402,994)</b>	<b>304,025,928</b>
<b>Cash and cash equivalents at year-start</b>	<b>483,331,301</b>	<b>179,305,373</b>
<b>Cash and cash equivalents at year-end</b>	<b>152,928,307</b>	<b>483,331,301</b>

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.



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## 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 2022 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.

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## 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 of 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.



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## 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 that 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 lease 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 financial 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.



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## 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.

## 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.

## 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.

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.

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 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.

It should be noted that the Company exercised this option exclusively for trade receivables and payables, which generally do not present significant initial transaction costs.

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.



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## 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 funds 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 2021-2025 five-year period with the Italian Revenue Authority concerning the methods and criteria for calculating the fair market value of the assets transferred to its European subsidiaries (France, the UK, Sweden and Austria). The aforementioned Agreement is the result of the renewal of the previous Agreement for the three years 2013, 2014 and 2015, subsequently further renewed for the 2016-2020 five-year period. As part of this renewal process, the transactions regarding the French subsidiary Carte Noire S.a.s. were included.

Intercompany transactions with the German subsidiary Lavazza Deutschland G.m.b.H. were subject to a separate bilateral procedure between Italy and Germany (Bilateral Advance Pricing Agreement) concerning the 2014-2018 tax periods, renewed on 30 December 2022 for the 2019-2023 five-year period.

With regard to intercompany transactions with the US subsidiary Lavazza Premium Coffees Corp., it should be noted that a prior bilateral agreement for the definition of transfer prices between Italy and the USA is currently being renewed.



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## 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

## 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 revenues 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 for 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).

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.

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 US 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 are 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.



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# CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

## BALANCE SHEET - ASSETS

## FIXED ASSETS

### INTANGIBLE FIXED ASSETS

The following table reports changes in intangible fixed assets:

BALANCE SHEET ITEMS	BALANCE AT 01.01.2022	INCREASES	RECLASSIFICATION	(DECREASES)	BALANCE AT 31.12.2022
<b>Development costs</b>					
Gross value	16,906,228	-	5,241,846	-	22,148,074
Write-ups	-	-	-	-	-
(Write-down provision)	(170,776)	(465,201)	-	-	(635,977)
(Accumulated amortisation)	(11,061,507)	(1,931,637)	-	-	(12,993,144)
<b>Net value</b>	<b>5,673,945</b>	<b>(2,396,838)</b>	<b>5,241,846</b>	<b>-</b>	<b>8,518,953</b>
<b>Industrial patent and intellectual property rights</b>					
Gross value	2,884,162	15,067,174	400,000	-	18,351,336
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated amortisation)	(1,224,678)	(1,956,036)	-	-	(3,180,714)
<b>Net value</b>	<b>1,659,484</b>	<b>13,111,138</b>	<b>400,000</b>	<b>-</b>	<b>15,170,622</b>
<b>Concessions, licenses and similar rights</b>					
Gross value	186,882,313	344,666	613,179	-	187,840,158
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated amortisation)	(70,200,526)	(8,932,520)	-	-	(79,133,046)
<b>Net value</b>	<b>116,681,787</b>	<b>(8,587,854)</b>	<b>613,179</b>	<b>-</b>	<b>108,707,112</b>
<b>Trademarks</b>					
Gross value	154,107,243	8,414,743	-	-	162,521,986
Write-ups	303,949,656	-	-	-	303,949,656
(Write-down provision)	(3,623,965)	-	-	-	(3,623,965)
(Accumulated amortisation)	(359,074,637)	(7,549,092)	-	-	(366,623,729)
<b>Net value</b>	<b>95,358,297</b>	<b>865,651</b>	<b>-</b>	<b>-</b>	<b>96,223,948</b>
<b>Goodwill</b>					
Gross value	372,249,518	-	-	-	372,249,518
Write-ups	-	-	-	-	-
(Write-down provision)	(4,894,056)	-	-	-	(4,894,056)
(Accumulated amortisation)	(113,859,767)	(17,939,994)	-	-	(131,799,761)
<b>Net value</b>	<b>253,495,695</b>	<b>(17,939,994)</b>	<b>-</b>	<b>-</b>	<b>235,555,701</b>
<b>Intangible assets in process and advances</b>					
Gross value	7,490,097	19,185,266	(13,242,170)	-	13,433,193
(Write-down provision)	-	-	-	-	-
<b>Net value</b>	<b>7,490,097</b>	<b>19,185,266</b>	<b>(13,242,170)</b>	<b>-</b>	<b>13,433,193</b>
<b>Other intangible assets</b>					
Gross value	80,909,929	42,464,866	6,987,147	-	130,361,942
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated amortisation)	(38,022,285)	(15,461,443)	-	-	(53,483,728)
<b>Net value</b>	<b>42,887,644</b>	<b>27,003,423</b>	<b>6,987,147</b>	<b>-</b>	<b>76,878,214</b>
<b>Total intangible assets</b>					
Gross value	821,429,490	85,476,715	-	-	906,906,205
Write-ups	303,949,656	-	-	-	303,949,656
(Write-down provision)	(8,688,798)	(465,201)	-	-	(9,153,999)
(Accumulated amortisation)	(593,443,398)	(53,770,721)	-	-	(647,214,119)
<b>Net value</b>	<b>523,246,950</b>	<b>31,240,793</b>	<b>-</b>	<b>-</b>	<b>554,487,743</b>

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The reclassification of "development costs", amounting to €5,241,846, mainly included investments made in technological innovation for the development of recyclable and compostable packaging and for studies and research relating to new models of coffee machine begun in previous years.

Impairment losses of €465,201 were recognised during the year in relation to the costs of projects subject to early phase-out and replaced by new models.

The increase in "industrial patents and intellectual property rights", amounting to €15,467,174, was mainly attributable to the acquisition from the Group companies Lavazza Professional Holding North America Inc., Lavazza Professional Germany and Lavazza Professional UK of the Flavia and Klix patents (€15,067,174 ) and, to a residual extent, to the expenses incurred for the new Lavazza website (€650,000).

The increase in item "concessions, licenses and similar rights", amounting to €344,666, and reclassifications amounting to €613,179 were chiefly attributable to licenses for software for long-term use operating on to the Company's main applications.

The increase in item "trademarks" amounting to €8,414,743 was attributable to the acquisition carried out during the year of the Flavia and Klix trademarks. The consideration paid amounted to €5,987,081 for the trademark sold by Lavazza Professional Holding North America Inc., €1,915,538 for the trademark sold by Lavazza Professional Germany G.m.b.H., and €512,124 for the trademark sold by Lavazza Professional UK.

The increase in "intangible assets in process and advances" of €19,185,266 referred to advances on ongoing orders relating to new software with a duration of several years and to development costs; the €13,242,170 reclassification was attributable to: (i) for €6,673,433 to IT costs relating to the development of software projects for long-term use; (ii) for €5,241,846 to the capitalisation of development costs for technological innovation in the field of machines; (iii) for €613,180 to costs of licences for long-term use; and (iv) for €400,000 to costs of intellectual property rights.

The increase in "other intangible assets" of €42,464,866 referred mainly to the restructuring fee (€42,305,112) paid to Lavazza Professional Holding North America Inc. under the reorganisation project and chiefly attributable to the distribution contract for Flavia-branded products. The estimated useful life of this asset is 20 years. Reclassifications, amounting to €6,987,147, were attributable to the capitalisation of IT costs for the internal development of unprotected software projects for long-term use, implemented in the year.

In short, as a result of the reorganisation of Lavazza Professional's operations in the USA and Europe, which led to centralise under Luigi Lavazza S.p.A. all strategic functions and the related risks and intangible assets, in the year, the Company:

- acquired patents and intellectual properties worth €14,817,175 overall from the subsidiaries Lavazza Professional Holding North America Inc., Lavazza Professional UK and Lavazza Professional Germany G.m.b.H.;
- acquired, for a total value of €8,414,743, the trademarks and domains of the subsidiaries Lavazza Professional Holding North America Inc., Lavazza France S.a.s., Lavazza Professional Germany G.m.b.H., Lavazza Professional (UK) Ltd;
- paid a restructuring fee of €42,305,112 to the subsidiary Lavazza Professional Holding North America Inc.

The following table shows the useful lives of fixed assets:

	<b>2022</b>
Start-up and expansion costs	5 years
Industrial patent rights	5-8-10 years
Rights to use intellectual property	3 years
Licenses and similar rights	5 years
Know-how	20 years (*)
Trademarks	9-13-10-20 years (*)
Goodwill	10-20 years (*)
Key money	lease period
Other	3-5-7 years
Restructuring fee	20 years (**)

(\*) The useful life of the intangible fixed 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.

(\*\*) As regards the restructuring fee, the estimated useful life of 20 years was calculated on the basis of the sector of reference, which showed a stable growth of the OCS channel.



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## TANGIBLE ASSETS

Movements in property, plant and equipment and their accumulated depreciation are given in the following table:

BALANCE SHEET ITEMS	BALANCE AT 01.01.2022	INCREASES	RECLASSIFICATION (DECREASES)	BALANCE AT 31.12.2022
<b>Land and buildings</b>				
Gross value	108,761,636	123,766	675,981	109,561,383
Write-ups	35,220,715	-	-	35,220,715
(Write-down provision)	(6,851,645)	-	-	(6,851,645)
(Accumulated depreciation)	(56,129,586)	(1,928,341)	-	(58,057,927)
<b>Net value</b>	<b>81,001,120</b>	<b>(1,804,575)</b>	<b>675,981</b>	<b>79,872,526</b>
<b>Plant and machinery</b>				
Gross value	575,466,077	608,642	19,707,804 (7,807,969)	587,974,554
Write-ups	108,322,762	-	- (3,107,688)	105,215,074
(Write-down provision)	(1,315,436)	(24,422)	- 514,435	(825,423)
(Accumulated depreciation)	(477,351,377)	(24,382,231)	- 9,429,061	(492,304,547)
<b>Net value</b>	<b>205,122,026</b>	<b>(23,798,011)</b>	<b>19,707,804 (972,161)</b>	<b>200,059,658</b>
<b>Industrial and commercial equipment</b>				
Gross value	186,254,804	11,636,739	1,188,430 (5,733,087)	193,346,886
Write-ups	1,165,417	-	-	1,165,417
(Write-down provision)	(6,140,519)	(310,725)	- 608,853	(5,842,391)
(Accumulated depreciation)	(135,399,354)	(21,626,229)	- 4,800,657	(152,224,926)
<b>Net value</b>	<b>45,880,348</b>	<b>(10,300,215)</b>	<b>1,188,430 (323,577)</b>	<b>36,444,986</b>
<b>Furniture and fittings</b>				
Gross value	25,614,317	422,751	202,142 (582,276)	25,656,934
Write-ups	-	-	-	-
(Write-down provision)	(16,633)	-	-	(16,633)
(Accumulated depreciation)	(17,969,909)	(1,547,488)	- 575,484	(18,941,913)
<b>Net value</b>	<b>7,627,775</b>	<b>(1,124,737)</b>	<b>202,142 (6,792)</b>	<b>6,698,388</b>
<b>Means of transport</b>				
Gross value	870,143	-	- (6,000)	864,143
Write-ups	-	-	-	-
(Write-down provision)	-	-	-	-
(Accumulated depreciation)	(727,749)	(17,162)	- 6,000	(738,911)
<b>Net value</b>	<b>142,394</b>	<b>(17,162)</b>	<b>-</b>	<b>125,232</b>
<b>Electronic machinery</b>				
Gross value	26,155,349	2,115,372	3,020 (1,059,992)	27,213,749
Write-ups	-	-	-	-
(Write-down provision)	-	-	-	-
(Accumulated depreciation)	(23,832,011)	(1,123,935)	- 1,051,341	(23,904,605)
<b>Net value</b>	<b>2,323,338</b>	<b>991,437</b>	<b>3,020 (8,651)</b>	<b>3,309,144</b>
<b>Tangible assets in process and advances</b>				
Gross value	23,097,456	32,276,920	(21,777,377)	33,596,999
Write-ups	-	-	-	-
(Write-down provision)	-	-	-	-
(Accumulated depreciation)	-	-	-	-
<b>Net value</b>	<b>23,097,456</b>	<b>32,276,920</b>	<b>(21,777,377)</b>	<b>33,596,999</b>
<b>Total tangible assets</b>				
Gross value	946,219,780	47,184,190	- (15,189,324)	978,214,646
Write-ups	144,708,894	-	- (3,107,688)	141,601,206
(Write-down provision)	(14,324,233)	(335,147)	- 1,123,288	(13,536,092)
(Accumulated depreciation)	(711,409,986)	(50,625,386)	- 15,862,543	(746,172,829)
<b>Net value</b>	<b>365,194,455</b>	<b>(3,776,343)</b>	<b>- (1,311,181)</b>	<b>360,106,931</b>

The item "land and buildings" increased mainly due to the acquisition in the year of a plot of land located in Gattinara for €93,330; the €675,981 reclassification referred to orders for improvements and refurbishing of Factory 1895 in Settimo Torinese and of the Turin plant in Strada Settimo, in addition to the expansion of the parking area in Gattinara.

The item "plant and machinery" increased: (i) by €608,642 as a result of purchases of industrial machinery and (ii) by €19,707,804 for reclassifications regarding the entry into operation of a new capsule packaging line and an end-of-line packaging system, in addition to an ILLIG thermoforming machine. Net decreases, amounting to €972,161, referred to the disposal of obsolete production lines in favour of the new investments previously described.

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 €11,636,739, 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 €1,188,430, primarily attributable to the closing of advances for mould purchases. Net decreases amounted to €323,577 and referred mainly to the disposal of espresso machines and Firma system capsule machines, as well as café equipment on free loan to customers for use.

The item "furniture and fittings" increased as a result of the purchases made in the year for €422,751 and of reclassifications amounting to €202,142, linked to furnishings for the industrial area purchased in the year. The net decrease, amounting to €6,792, related to the disposal of obsolete equipment.

The €2,115,372 increase in "electronic machinery" primarily referred to the purchase of computers and IT equipment. The net decrease, amounting to €8,651, related to the disposal of obsolete equipment.

The €32,276,920 increase in "tangible assets in process and advances" mainly regarded the costs incurred for implementing new production lines (€8,861,235), roasting plants (€7,881,230) and other costs for innovating and upgrading plants and machines. Reclassifications amounted to €21,777,377 and were chiefly attributable: (i) for €19,707,804 to the development of new production lines and industrial plants, and (ii) for €1,188,430 to the purchase of new moulds and equipment.

During the year, the write-down provision of tangible assets totalled €335,147, mainly referring to the write-down of machinery and equipment and obsolete moulds. The Directors' Single Report on Operations provides detailed information on investments made during the year.



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The following table shows the useful lives of fixed assets:

	<b>2022</b>
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 2022:

	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	-	-	296,273,68	9,500,771	-	-	65,766,805	105,215,074
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
<b>Total</b>	<b>51,485</b>	<b>365,361</b>	<b>46,481,121</b>	<b>2,519,706</b>	<b>107,283,379</b>	<b>110,478,712</b>	<b>80,000,000</b>	<b>32,604,293</b>	<b>65,766,805</b>	<b>445,550,862</b>

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:

	<b>AMOUNT</b>
<b>Assets</b>	
<b>a) Agreements in force:</b>	
Assets under finance lease at the end of the previous year	101,629,471
+ 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	98,119,056
<b>b) Redeemed assets</b>	
Total greater value of redeemed assets	-
<b>c) Liabilities</b>	
Constructive payables for finance lease transactions at the end of the previous year	71,575,467
+ Constructive payables arisen during the year	-
- Repayment of portions of principal and redemptions made during the year	(4,481,371)
Constructive payables for finance lease transactions at the end of the year	67,094,096
<b>d) Reversal of prepayments associated with finance leases</b>	17,570,800
<b>e) Reversal of payables for rent yet to be paid</b>	-
<b>f) Total gross effect at the end of the year (a + b - c - d - e)</b>	<b>13,454,160</b>
<b>g) Tax effect</b>	(3,753,711)
<b>h) Effect on equity at the end of the year (f - g)</b>	<b>9,700,449</b>
Effect on the statement of profit or loss	
Reversal of rent on finance leases	5,952,476
Recognition of financial expense on finance leases	(1,765,762)
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	676,298
Recognition of the tax effect	(188,687)
<b>Effect on profit or loss of recognition of finance leases</b>	<b>487,611</b>



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## FINANCIAL ASSETS

### INVESTMENTS

Investments at 31 December 2022 were broken down as follows:

COMPANY NAME	HISTORIC COST	PRIOR YEARS' WRITE-DOWNS	VALUE AT 01.01.2022	INCREASES	DECREASES	WRITE-DOWNS FOR THE YEAR	VALUE AT 31.12.2022
<b>Subsidiaries</b>							
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	(111,108,397)	20,891,603	-	-	(6,717,000)	14,174,603
Lavazza Japan GK	343,495	-	343,495	-	-	-	343,495
Lavazza Premium Coffees Co.	1,164,635	-	1,164,635	9,000,000	-	-	10,164,635
Lavazza Professional Holding NA Inc.	401,350,561	-	401,350,561	9,007,589	-	-	410,358,150
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
Carte Noire S.a.s.	104,444,203	-	104,444,203	-	-	-	104,444,203
Cofincaf S.p.A.	3,063,719	-	3,063,719	-	-	-	3,063,719
E-Coffee Solutions S.r.l.	94,500,000	-	94,500,000	4,000,000	-	-	98,500,000
Kicking Horse Coffee Co. Ltd	116,061,395	-	116,061,395	17,585,162	-	-	133,646,557
Merrild Kaffe ApS	12,119,140	-	12,119,140	-	-	-	12,119,140
Nims S.p.A.	63,086,015	-	63,086,015	5,410	-	-	63,091,425
<b>Total subsidiaries</b>	<b>1,488,769,981</b>	<b>(158,865,185)</b>	<b>1,329,904,796</b>	<b>39,598,161</b>	-	<b>(6,717,000)</b>	<b>1,362,785,957</b>
<b>Associates</b>							
Y&L Coffee Ltd	36,509,327	-	36,509,327	-	-	-	36,509,327
International Coffee Partners G.m.b.H.	25,000	-	25,000	-	-	-	25,000
<b>Total associates</b>	<b>36,534,327</b>	-	<b>36,534,327</b>	-	-	-	<b>36,534,327</b>
<b>Other companies</b>							
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	-	-	-	5
INV. A.G. S.r.l.	20,000,000	(12,712,342)	7,287,658	-	(12,146,027)	4,858,369	-
ZKB ZADRUZNA KRASKA BANKA TRST	153	-	153	-	-	-	153
<b>Total other companies</b>	<b>20,006,258</b>	<b>(12,712,342)</b>	<b>7,293,916</b>	-	<b>(12,146,027)</b>	<b>4,858,369</b>	<b>6,258</b>
<b>Total investments</b>	<b>1,545,310,566</b>	<b>(171,577,527)</b>	<b>1,373,733,039</b>	<b>39,598,161</b>	<b>(12,146,027)</b>	<b>(1,858,631)</b>	<b>1,399,326,542</b>

With reference to operating investments, the strategic focus was generally 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 referred to:

#### 1. Lavazza Premium Coffees Corp. in the amount of €9,000,000

The increase was attributable to the contribution in favour of the Company of the minority interests (7%) that Finlav S.p.A. held in Lavazza Premium Coffees Corp., approved by the Shareholders' Meeting on 14 June 2022. The transaction took the form of a capital increase of Luigi Lavazza S.p.A. reserved for the shareholder Finlav S.p.A., to be finalised through a contribution in kind (pursuant to Article 234-ter et seqq.), consisting of the 7% interest held in Lavazza Premium Coffee Corp. Ltd. Pursuant to Article 2343-ter et seqq., the capital increase instrumental to the contribution totalled €9,000,000, of which €90,000 recognised as an increase in the share capital (= 90,000 newly issued treasury shares with a nominal value of €1 each) and €8,910,000 to the share premium account. Following the contribution in kind, at the reporting date the Company held a 100% interest in the share capital of Lavazza Premium Coffee Corp. Ltd;

#### 2. Lavazza Professional Holding North America Inc. in the amount of €9,007,589

The increase in the value of the investment referred to the waiver by the Company of the residual share of the loan disbursed to the investee in previous years. For further details, reference is made to the "Payables to subsidiaries" section in the Balance Sheet - Equity and Liabilities;

#### 3. E-Coffee Solutions S.r.l. in the amount of €4,000,000

The increase referred to the capital contribution made in the year in favour of the subsidiary (formerly Lavazza Professional Holding Europe S.r.l.), subscribed in March 2022;

#### 4. Kicking Horse Coffee Co. Ltd in the amount of €17,585,162

The €39,349,282 net increase referred to the purchase of the 20% interest from the minority shareholder, which increased the Group's interest in the company to 100% and allowed it to undertake a subsequent capital reduction of €21,764,120. As a result of this transaction, at the reporting date the Company held 100% of the share capital of Kicking Horse Coffee Co. Ltd. It should be noted that in the year the subsidiary repaid capital, with the concurrent €21,764,120 reduction in equity. The net increase therefore amounted to €17,585,162;

#### 5. Nims S.p.A. in the amount of €5,410

The increase was due solely to the purchase of shares held by minority shareholders, as envisaged during the original acquisition in 2017.

Decreases for the year due to write-downs referred exclusively to Lavazza Netherlands B.V. (€6,717,000), primarily attributable to the write-down of the investee Fresh and Honest Café Ltd and to the loss for the year ended 31 December 2022, deemed to be an impairment loss. This reduction in value was classified as an impairment loss in light of the value agreed for the sale of the investment by Lavazza Netherlands, effective 1 January 2023.

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The net decrease for the year relating to other companies amounted to €7,287,658 and was attributable to the sale of the entire financial investment in INV. A.G. S.r.l., the carrying amount of which was written-up for €4,858,368 to bring it into line with the actual price of sale.

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
<b>Subsidiaries</b>						
Lavazza Argentina S.A.	Buenos Aires	17,227	101,547	67,990	97.54	-
Lavazza Australia Pty Ltd *	Hawthorn	4,658,511	5,722,788	639,117	100.00	4,804,617
Lavazza Capital S.r.l.	Turin	200,000	488,800,497	2,569,062	100.00	476,400,000
Lavazza Coffee (UK) Ltd	Uxbridge	1,127	4,685,760	1,238,959	100.00	14,843
Lavazza Deutschland G.m.b.H.	Frankfurt	210,000	12,212,439	8,697,993	100.00	153,227
Lavazza do Brasil Ltda	Rio de Janeiro	13,673,208	(745,464)	18,290	99.53	-
Lavazza France S.a.s.	Boulogne	21,445,313	30,104,708	3,046,583	100.00	27,939,862
Lavazza Kaffee G.m.b.H.	Vienna	218,019	2,142,264	617,360	100.00	163,854
Lavazza Maroc S.a.r.l.	Casablanca	896	106,368	16,644	100.00	904
Lavazza Netherlands B.V.	Amsterdam	111,500,000	14,174,169	(6,717,438)	100.00	14,174,603
Lavazza Premium Coffees Co.	New York	36,423,559	29,629,236	3,464,333	100.00	10,164,635
Lavazza Professional Hold NA Inc.*	West Chester, PA	1	401,584,358	909,183	100.00	410,358,150
Lavazza Japan GK	Tokyo	7	(1,402,075)	136,937	100.00	343,495
Lavazza Spain S.L.	Barcelona	1,090,620	733,499	4,550	100.00	547,723
Lavazza Sweden AB	Stockholm	8,991	3,136,109	745,942	100.00	1,855,000
Lavazza Trading (Shenzhen) Co.Ltd	Shenzhen	1,114,607	1,220,169	41,611	100.00	1,000,000
E-Coffee Solutions S.r.l.	Turin	1,000,000	98,156,392	(593,872)	100.00	98,500,000
Carte Noire S.a.s.	Boulogne	103,830,406	121,306,699	14,054,943	100.00	104,444,203
Cofincaf S.p.A.	Turin	3,000,000	12,823,552	267,522	99.00	3,063,719
Kicking Horse Coffee Co. Ltd	Invermere	129,220,362	155,788,607	7,070,223	100.00	133,646,557
Merrild Kaffe ApS	Middelfart	6,724	12,047,200	2,871,916	100.00	12,119,140
Nims S.p.A.	Padua	3,000,000	46,878,469	4,151,337	97.41	63,091,425
Y&L Coffee Ltd	Hong Kong	112,507,032	56,306,876	(30,845,716)	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 2022. With the exception of Lavazza Netherlands B.V., any 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	55,735,682	1,086,175	Carte Noire S.a.s.	56,212,128	100
Fresh and Honest Café Ltd *	Chennai	1,035,544	17,144,049	862,766	Lavazza Netherlands B.V.	13,951,400	99.99
Merrild Baltics SIA	Riga	2,828	3,551,752	1,142,029	Merrild Kaffe ApS	3,551,805	100
Lavazza Professional France S.a.s.	Roissy CDG	279,706	(524,702)	79,745	E-Coffee Solutions S.r.l.	8,694,173	100
Lavazza Professional Germany G.m.b.H.	Verden	50,000	(26,962)	518,189	E-Coffee Solutions S.r.l.	75,480,570	100
Lavazza Professional (UK) Ltd	Basingstoke	42,296,461	38,271,340	4,266,402	E-Coffee Solutions S.r.l.	60,628,750	100

(\*) These figures refer to the Financial Statements for the year ended at 31 March 2022.



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## RECEIVABLES

They consist of:

	31.12.2022	31.12.2021	CHANGES
Receivables from subsidiaries	51,740,727	120,553,359	(68,812,632)
Other receivables	307,412	757,169	(449,757)
<b>Total</b>	<b>52,048,139</b>	<b>121,310,528</b>	<b>(69,262,389)</b>

Receivables from subsidiaries included:

- the long-term financial receivable from Lavazza Australia Pty Ltd for the AUD 1,570,431 (€1,175,116) residual amount of the loan granted in 2015 and renewed in 2021, 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 (€8,301,935) residual amount of the loan granted in 2017 and bearing interest at a fixed rate of 5.45% per annum. It should be noted that no changes were reported in the year; therefore, the residual value amounted to €8,109,553;
- the long-term financial receivable from E-Coffee Solution S.r.l. (formerly 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 Japan GK, granted in 2021, for YPY 437,768,549 (€3,300,924), bearing interest at a floating rate benchmarked on the Fallback Rate 1Y, which replaced the Libor JPY;
- the financial receivable from Lavazza Professional Holding North America Inc. of €67,785,339 (USD 76,156,074) was discharged through (i) offsetting against the amount payable following the acquisition of certain intangible assets for €58,777,750, for which reference is made to the section on Intangible assets, and (ii) waiver and consequent increase of the investment by €9,007,589.

The item "other receivables" consisted of and financial receivables from Connect Ventures One LP (€249,366), a company that invests in European Web business start-ups, and of guarantee deposits (€58,046).

## 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 2022 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 8,603,154	Exchange rate risk	126,537	Sales
EUR 300,000,000	Interest rate risk	26,987,183	Loan
<b>Total</b>		<b>27,113,720</b>	

The following table shows movements for the year:

	31.12.2022	31.12.2021	CHANGES
Derivatives to hedge exchange rate risk	126,537	227	126,310
Derivatives to hedge commodity risk	-	-	-
Derivatives to hedge interest rate risk	26,987,183	2,162,713	24,824,470
<b>Total</b>	<b>27,113,720</b>	<b>2,162,940</b>	<b>24,950,780</b>

### INFORMATION ON FAIR VALUE (ARTICLE 2427-BIS, PARAGRAPH 1, NO. 2)

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

NON-CURRENT FINANCIAL ASSETS	CARRYING VALUE	FAIR VALUE
<b>Investments in other companies:</b>		
<b>Total investments in other companies</b>	<b>6,258</b>	<b>6,258</b>
<b>Other receivables:</b>		
Financial receivables from subsidiaries	51,740,727	51,740,727
Guarantee deposits	249,366	249,366
Receivables from Connect Ventures One LP	58,046	934,684
<b>Total other receivables</b>	<b>52,048,139</b>	<b>52,924,777</b>



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# CURRENT ASSETS

## INVENTORIES

	31.12.2022	31.12.2021	CHANGES
Raw materials, ancillaries and consumables	305,356,336	219,141,827	86,214,509
Accumulated depreciation of raw materials, ancillaries and consumables	(3,540,477)	(3,821,496)	281,019
<b>Raw materials, ancillaries and consumables (net value)</b>	<b>301,815,859</b>	<b>215,320,331</b>	<b>86,495,528</b>
Work-in-process and semi-finished goods	7,315,575	3,089,822	4,225,753
Accumulated depreciation for work-in-process and semi-finished goods	(1,000,000)	(1,000,000)	-
<b>Work-in-process and semi-finished goods (net value)</b>	<b>6,315,575</b>	<b>2,089,822</b>	<b>4,225,753</b>
Finished products and goods	169,425,181	110,708,350	58,716,831
Accumulated depreciation of finished products and goods	(15,972,609)	(16,128,640)	156,031
<b>Finished products and goods (net value)</b>	<b>153,452,572</b>	<b>94,579,710</b>	<b>58,872,862</b>
<b>Total</b>	<b>461,584,006</b>	<b>311,989,863</b>	<b>149,594,143</b>
<b>Advance payments</b>	<b>1,381,299</b>	<b>816,319</b>	<b>564,980</b>
<b>Overall total</b>	<b>462,965,305</b>	<b>312,806,182</b>	<b>150,159,123</b>

The value of inventories amounted to €462,965,305 at 31 December 2022. The €150,159,123 increase for the year was chiefly attributable to the green coffee component, significantly impacted by the rise in market prices recorded in 2022, which was also reflected in the Roast&Ground and capsules finished product.

As described in detail in the Report on Operations with regard to commodity risk management, the exponential increase in green coffee prices severely impacted the whole year.

When the market opened in January 2022, the Robusta price was 2,467 \$/tonne. It fluctuated but remained above 1,900 \$/tonne until October, when it reached a low of 1,808 \$/tonne on 16 November, followed by a slight recovery to 1,869 \$/tonne on 30 December.

The Arabica began the year at 223 \$cts/lb, after a peak of 258 \$cts/lb on 9 February, prices remained within

a trading range of 200 \$cts/lb to \$250 cts/lb until mid-October, to then close at 167 \$cts/lb.

At 31 December 2022, inventories were recognised net of an inventory write-down provision totalling €20,513,086 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 2022, inventories totalling €7,531,952 were scrapped and disposed of.

## RECEIVABLES

The following table show movements of receivables and their adjustments during the year and the balance at 31 December 2022:

	ORIGINAL COST 31.12.2021	INCREASES (DECREASES)	ORIGINAL COST 31.12.2022	ACCUMULATED DEPRECIATION AT 31.12.2021	PROVISIONS	USES	ACCUMULATED DEPRECIATION AT 31.12.2022	EXPECTED REALISABLE VALUE AT 31.12.2022
Trade receivables	115,072,525	(16,987,188)	98,085,337	6,581,202	599,372	(1,834,218)	5,346,356	92,738,981
Receivables from subsidiaries	280,128,302	54,766,363	334,894,665	-	-	-	-	334,894,665
Receivables from associates	284,477	656,944	941,421	-	-	-	-	941,421
Receivables from related parties	594,081	1,416,915	2,010,996	-	-	-	-	2,010,996
Receivables from parent companies	27,500	23,636,064	23,663,564	-	-	-	-	23,663,564
Tax receivables	16,042,935	36,758,520	52,801,455	-	-	-	-	52,801,455
Deferred tax assets	43,881,452	5,499,473	49,380,925	-	-	-	-	49,380,925
Other receivables	7,145,402	11,333,987	18,479,389	-	-	-	-	18,479,389
<b>Total</b>	<b>463,176,674</b>	<b>117,081,078</b>	<b>580,257,752</b>	<b>6,581,202</b>	<b>599,372</b>	<b>(1,834,218)</b>	<b>5,346,356</b>	<b>574,911,396</b>

All receivables at 31 December 2022 are due within one year.

An adjustment provision totalling €5,346,356 was made at the end of the year to adjust the nominal value of trade receivables, which approximated their amortised cost, to their expected realisable value.

Management determines the amount of adjustment provisions on the basis of (i) an identification of specific positions the recoverability of which is doubtful; and (ii) the application of the Lavazza Group's internal policy, which calls for the application of specific ranges depending on the customer's channel and past-due amount.

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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	42,540,466	40,810,881	3,144,330	826,905	-	5,416,399	92,738,981
Receivables from subsidiaries	9,654,091	199,700,122	42,672,163	68,429,813	13,257,219	1,181,257	334,894,665
Receivables from associates	-	-	-	-	-	941,421	941,421
Receivables from related parties	2,010,996	-	-	-	-	-	2,010,996
Receivables from parent companies	23,663,564	-	-	-	-	-	23,663,564
Tax receivables	50,427,773	2,373,682	-	-	-	-	52,801,455
Deferred tax assets	49,380,925	-	-	-	-	-	49,380,925
Other receivables	6,855,433	304,761	68,815	11,192,904	-	57,476	18,479,389
<b>Total</b>	<b>184,533,248</b>	<b>243,189,446</b>	<b>45,885,308</b>	<b>80,449,622</b>	<b>13,257,219</b>	<b>7,596,553</b>	<b>574,911,396</b>

Receivables from subsidiaries and associates refer to the following companies:

	31.12.2022	31.12.2021	CHANGES
<b>Trade receivables:</b>			
<b>Direct subsidiaries</b>			
Lavazza Argentina S.A.	-	283,751	(283,751)
Lavazza Australia Pty Ltd	12,530,739	5,996,494	6,534,245
Lavazza Coffee (UK) Ltd	34,997,130	27,453,501	7,543,629
Lavazza Deutschland G.m.b.H.	76,259,923	64,362,764	11,897,159
Lavazza do Brasil Ltda	1,136,253	1,070,751	65,502
Lavazza France S.a.s.	19,469,094	9,802,995	9,666,099
Lavazza Kaffee G.m.b.H.	6,106,219	5,800,545	305,674
Lavazza Maroc S.a.r.l.	15,794	3,867	11,927
Lavazza Netherlands B.V.	338,061	-	338,061
Lavazza Premium Coffees Co.	33,219,167	43,621,486	(10,402,319)
Lavazza Japan GK	1,033,607	445,591	588,016
Lavazza Spain S.L.	40,049	8,473	31,576
Lavazza Sweden AB	1,782,532	3,687,343	(1,904,811)
Carte Noire S.a.s.	80,886,597	84,646,416	(3,759,819)
Cofincaf S.p.A.	93,961	88,918	5,043
Kicking Horse Coffee Co. Ltd	520,414	483,744	36,670
Merrild Kaffe ApS	5,682,376	4,631,723	1,050,653
Nims S.p.A.	8,969,537	7,931,659	1,037,878
<b>Associates</b>			
Yi Bai Coffee Co. Ltd	941,421	284,477	656,944
<b>Controlled by the same parent company</b>			
Lavazza Eventi S.r.l.	588,664	157,482	431,182
Lea S.r.l.	186,793	45,975	140,818
<b>Indirect subsidiaries</b>			
Lavazza Australia OCS Pty Ltd	510,892	-	510,892
Lavazza Professional France S.a.s.	545,635	468,733	76,902
Lavazza Professional Germany G.m.b.H.	4,976,497	2,905,918	2,070,579
Lavazza Professional NA LLC	6,303,433	2,965,603	3,337,830
Lavazza Professional (UK) Ltd	3,320,777	2,868,234	452,543
Lavazza Professional (UK) Operating Services Ltd	135,518	44,983	90,535
Carte Noire Operations S.a.s.	227,444	217,021	10,423
Fresh and Honest Café Ltd	120,189	173,804	(53,615)
Merrild Baltics SIA	990	-	990
<b>Total trade receivables</b>	<b>300,939,706</b>	<b>270,452,251</b>	<b>30,487,455</b>
<b>Financial receivables:</b>			
<b>Direct subsidiaries</b>			
Lavazza Australia Pty Ltd	10,754	19,973	(9,219)
Lavazza Professional Holding NA Inc.	11,067,119	7,895,084	3,172,035
Lavazza Japan GK	11,667	1,321	10,346
Cofincaf S.p.A.	-	238,642	(238,642)
E-Coffee Solutions S.r.l.	590,593	-	590,593
Kicking Horse Coffee Co. Ltd	7,202,216	-	7,202,216
<b>Indirect subsidiaries</b>			
Lavazza Australia OCS Pty Ltd	204,834	613,652	(408,818)
Lavazza Professional France S.a.s.	3,384,399	1,940	3,382,459
Lavazza Professional NA LLC	8,981,211	-	8,981,211
Lavazza Professional (UK) Ltd	4,218,738	1,393,373	2,825,365
Carte Noire Operations S.a.s.	306	-	306
<b>Controlled by the same parent company</b>			
Lavazza Eventi s.r.l.	187,939	-	187,939
Lea S.r.l.	1,047,600	390,624	656,976
<b>Total financial receivables</b>	<b>36,907,376</b>	<b>10,554,609</b>	<b>26,352,767</b>
<b>Total receivables from subsidiaries</b>	<b>337,847,082</b>	<b>281,006,860</b>	<b>56,840,222</b>

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Financial receivables from Group companies referred to the balance on the centralised treasury account held with the Parent Company.

Financial receivables from subsidiaries referred to the portion of the interest accrued at 31 December 2022 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 €52,801,455 may be broken down as follows:

- Receivable from the revenue authorities:
  - €32,107,800 for VAT credits towards the Italian Revenue Authority, whose increase was due to the achievement of the VAT limit near the end of the year, forcing the Company to undertake taxable imports with exposure to an amount payable to the Customs Authority and VAT deduction, and €2,373,681 claimed from foreign revenue authorities due to VAT direct recognition in the countries concerned;
- Credit for investments in capital goods 4.0:
  - €1,169,686 for the 2022 credit for investments in new capital goods 4.0 L 178/2020;
  - €3,163,794 for the 2021 credit for investments in new capital goods 4.0 L 178/2020;
  - €1,655,391 for the 2020 credit for investments in new capital goods 4.0 L 160/2019.
- R&D credit - Technological Innovation and Green IT:
  - €932,043 for the 2020 R&D credit L 160/2019;
  - €398,739 for the 2021 R&D credit L 160/2019 and L 178/2020;
  - €324,358 for the 2022 R&D credit L 160/2019 and L 178/2020;
  - €796,139 for the 2022 Technological Innovation and Green IT credit L 160/2019 and L 178/2020;
  - €1,107,417 for the 2021 Technological Innovation and Green IT credit L 160/2019 and L 178/2020.
- Other receivables
  - €4,367,621 for the 2022 Utilities credit - Energy and Gas;
  - €3,509,030 for IRAP credit;
  - €554,667 for the Art bonus DL 83/14 et seqq., of which €198,250 referring to financial year 2022;
  - €200,000 per the 2020 advertising bonus DL 50/217 et seqq.;
  - €120,000 for credit for investments in ordinary capital goods L 160/2019;
  - €20,971 for IRPEF credit;
  - €118 for minor credits.

Deferred tax assets are allocated in relation to negative income components, which are deducted after they accrue. Their changes, final balance and description are set out in the relevant table in the Notes in the "Income taxes for the year" section of the Statement of Profit or Loss.

The item "other receivables" amounted to €18,479,389 and referred primarily to advances to suppliers of €5,522,236 and a time deposit for the trading of listed hedging derivative instruments of €12,052,181.

## 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:

### CURRENT DERIVATIVE ASSETS

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
EUR 12,095,319	Exchange rate risk	970,481	Sales/Purchases of green coffee
EUR 155,000,000	Interest rate risk	3,035,175	Loan
<b>Total</b>		<b>4,005,656</b>	

The following table shows movements for the year:

	31.12.2022	31.12.2021	CHANGES
Derivatives to hedge exchange rate risk	970,481	15,891,403	(14,920,922)
Derivatives to hedge commodity risk	-	188,089	(188,089)
Derivatives to hedge interest rate risk	3,035,175	-	3,035,175
<b>Total</b>	<b>4,005,656</b>	<b>16,079,492</b>	<b>(12,073,836)</b>

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## CASH AND CASH EQUIVALENTS

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

The following table provides a detailed description:

	31.12.2022	31.12.2021	CHANGES
Bank accounts	123,428,862	417,718,272	(294,289,410)
Post office accounts	145,349	3,980,313	(3,834,964)
Foreign currency accounts	29,223,615	61,457,560	(32,233,945)
Cash and valuables on hand	130,481	175,156	(44,675)
<b>Total</b>	<b>152,928,307</b>	<b>483,331,301</b>	<b>(330,402,994)</b>

For the analysis of the main cash flows that generated a €330 million decrease in this item compared to the previous year, reference should be made to the Statement of Cash Flows.

Foreign currency accounts amounted to USD 23,467,384 and were primarily funded by market purchases, collections of receivables from the US 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 Holding North America Inc.

For the purpose of a better understanding, it should be noted that the foreign currency accounts of the previous year had included the balance of the current account held with Bank of America, in line with the classification made in 2022.

The foreign currency accounts also included cash balances of £6,405,026 generated by the flows arising from the cash pooling relationships between Luigi Lavazza S.p.A. and the English subsidiaries (Lavazza Coffee UK Ltd, Lavazza Professional UK Ltd, Lavazza Professional Operating Services Limited) and any receivables collected from these subsidiaries.

## PREPAYMENTS AND ACCRUED INCOME

The item consists of the following:

	31.12.2022	31.12.2021	CHANGES
<b>Prepayments:</b>			
of lease contracts	17,570,800	18,860,927	(1,290,127)
of advertising expenses	2,755,947	4,608,700	(1,852,753)
of software leases	2,640,230	2,432,964	207,266
CO2 neutrality	2,304,343	1,340,031	964,312
of derivatives	745,451	900,824	(155,373)
of maintenance contracts	347,436	561,188	(213,752)
of insurance premiums	196,632	243,347	(46,715)
Other	1,230,387	969,750	260,637
<b>Total prepayments</b>	<b>27,791,226</b>	<b>29,917,731</b>	<b>(2,126,505)</b>
<b>Total prepayments and accrued income</b>	<b>27,791,226</b>	<b>29,917,731</b>	<b>(2,126,505)</b>

The item "lease contracts" under "prepayments" mainly 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 a pro-rated basis over the 18-year term of the lease. The breakdown of instalments of the upfront payment (€17,415,697) is as follows: €1,445,230 within one year, €5,780,918 between 1 and 5 years and €10,189,549 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 "CO2 neutrality" under "prepayments" 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 2022.

The amounts in question will be fully charged through profit or loss when the hedged costs are recognised.



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## NEGATIVE CHANGE IN TIME VALUE OF DERIVATIVES

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	CHANGE IN TIME VALUE	HEDGED ASSET / LIABILITY
EUR 29,693,539	Exchange rate risk	297,736	Sales
<b>Total</b>		<b>297,736</b>	

## PREPAYMENTS ON NEGATIVE CHANGE IN TIME VALUE OF DERIVATIVES

	31.12.2022	31.12.2021	CHANGES
Forward points based on spot exchange rate	297,736	62,680	235,056
Time value of options on exchange rates	-	14,690	(14,690)
Time value of options on commodities	-	250,515	(250,515)
<b>Total</b>	<b>297,736</b>	<b>327,885</b>	<b>(30,149)</b>

## 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, for which sale agreements were signed for a total of €5,236,337.

# 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
<b>Capital</b>	25,090,000		-
<b>Capital reserves</b>			
Share premium account	9,133,523	A B C	9,133,523
Revaluation reserves	426,580,270	A B C	426,580,270
<b>Reserve from profits</b>			
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 Presidential 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
- Reserve for exchange gains	5,019,656	B	5,019,656
- Merger surplus reserve	56,953,074	A B C	56,953,074
Retained earnings	1,601,469,577	A B C	1,601,469,577
Negative reserve for treasury shares	(17,732,533)	restricted	(17,732,533)
Hedge reserve for expected cash flows	1,996,486	restricted	1,996,486
<b>Total</b>	<b>2,325,978,975</b>		<b>2,295,888,975</b>
<b>Non-distributable portion*</b>			<b>9,154,930</b>
<b>Distributable portion</b>			<b>2,286,734,045</b>

Legend:

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

\* equal to the portion of development expenses not yet amortised

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

## SHARE CAPITAL

In the reporting year, share capital increased by €90,000, as approved by the Shareholders' Meeting held on 14 June 2022 and described in the relevant Section of the Statement of Changes in Equity.

Fully subscribed and paid-up share capital consists of 25,090,000 ordinary shares, with a nominal value of €1 each.

## REVALUATION RESERVES

Revaluation reserves are detailed as follows (in units of Euro):

	<b>31.12.2022</b>
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
<b>Total revaluation reserves</b>	<b>426,580,270</b>

\* 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 No. 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:

	31.12.2020	INCREASES FOR FAIR VALUE CHANGES	DECREASES FOR FAIR VALUE CHANGES	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	31.12.2021	INCREASES FOR FAIR VALUE CHANGES	DECREASES FOR FAIR VALUE CHANGES	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	31.12.2022
Derivatives to hedge exchange rate risk	(11,756,576)	27,767,876	(2,895,297)	-	(3,730,631)	9,385,372	45,105,324	(66,882,609)	-	3,457,344	(8,934,570)
Derivatives to hedge commodity risk	9,098,937	43,331,443	(9,516,588)	(11,972,948)	-	30,940,844	19,663,294	(65,717,254)	-	4,216,560	(10,896,557)
Derivatives to hedge interest rate risk	(3,793,516)	4,305,436	-	(122,861)	-	389,059	28,331,485	-	(6,892,930)	-	21,827,613
<b>Total</b>	<b>(6,451,155)</b>	<b>75,404,755</b>	<b>(12,411,885)</b>	<b>(12,095,809)</b>	<b>(3,730,631)</b>	<b>40,715,275</b>	<b>93,100,102</b>	<b>(132,599,864)</b>	<b>(6,892,930)</b>	<b>7,673,904</b>	<b>1,996,486</b>

At 31 December 2022, €1,996,486 of lower hedging costs that will have an impact in 2023 remained suspended in equity. This item primarily relates to the purchase of commodities and foreign exchange and interest rate hedging.



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## STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	REVALUATION RESERVE	LEGAL RESERVE
<b>Balances at 31/12/2020</b>	<b>25,000,000</b>	<b>223,523</b>	<b>426,580,270</b>	<b>5,000,000</b>
Allocation of profit for the year				
- allocation of dividends (€1.47 per share)				
- other allocations				
Other changes				
- increases				
- decreases				
- reclassification				
Result for the previous year				
<b>Balances at 31.12.2021</b>	<b>25,000,000</b>	<b>223,523</b>	<b>426,580,270</b>	<b>5,000,000</b>
Allocation of profit for the year				
- allocation of dividends (€1.90 per share)				
- other allocations				
Other changes				
- increases	90,000	8,910,000		
- decreases				
- reclassification				
Result for the previous year				
<b>Balances at 31/12/2022</b>	<b>25,090,000</b>	<b>9,133,523</b>	<b>426,580,270</b>	<b>5,000,000</b>

OTHER RESERVES	HEDGE RESERVE FOR EXPECTED CASH FLOWS	RETAINED EARNINGS	PROFIT (LOSS) FOR THE YEAR	NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	TOTAL
<b>269,421,996</b>	<b>(6,451,155)</b>	<b>1,487,239,948</b>	<b>91,470,155</b>	<b>(17,732,533)</b>	<b>2,280,752,203</b>
			(33,075,003)		(33,075,003)
		58,395,152	(58,395,152)		-
	47,166,430		103,604,137		150,770,567
					-
					-
					-
<b>269,421,996</b>	<b>40,715,275</b>	<b>1,545,635,100</b>	<b>103,604,137</b>	<b>(17,732,533)</b>	<b>2,398,447,767</b>
			(42,750,004)		(42,750,004)
5,019,656		55,834,477	(60,854,133)		-
			68,845,115		77,845,115
	(38,718,789)				(38,718,789)
					-
					-
<b>274,441,652</b>	<b>1,996,486</b>	<b>1,601,469,577</b>	<b>68,845,115</b>	<b>(17,732,533)</b>	<b>2,394,824,090</b>

The increase in share capital and in the share premium account was attributable to the contribution in favour of the Company of the minority interests that Finlav S.p.A. held in Lavazza Premium Coffees Corp, equal to 7% of the investee's share capital, approved by the Shareholders' Meeting on 14 June 2022.

The transaction took the form of a capital increase of Luigi Lavazza S.p.A. reserved for the shareholder Finlav S.p.A., to be finalised through a contribution in kind (pursuant to Article 234-ter et seqq.). Pursuant to Article 2343-ter et seqq., the capital increase instrumental to the contribution totalled €9,000,000, of which €90,000 recognised as an increase in the share capital (= 90,000 newly issued ordinary shares with a nominal value of €1 each) and €8,910,000 to the share premium account.

In the year, the retained earnings reserve increased due to the undistributed share of the profit from the previous year amounting to €55,834,478. The restricted reserve for exchange gains rose by €5,019,656.

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## PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2021	EFFECT OF HEDGING DERIVATIVES	AMOUNT REVERSED TO INCOME	PROVISIONS FOR THE YEAR	USES - RELEASES FOR THE YEAR	31.12.2022
<b>Provisions for taxes, including deferred:</b>						
provision for taxes	1,467,523	-	-	-	(513,887)	953,636
provision for deferred tax liabilities	17,682,053	(9,372,072)	-	73,766	(54,524)	8,329,223
<b>Total provisions for taxes, including deferred</b>	<b>19,149,576</b>	<b>(9,372,072)</b>	<b>-</b>	<b>73,766</b>	<b>(568,411)</b>	<b>9,282,859</b>
<b>Other provisions:</b>						
provision for legal issues	15,548,280	-	-	3,156,972	(1,086,418)	17,618,834
provision for guarantees and endorsements	5,387,621	-	(1,510,868)	-	(65,314)	3,811,439
provision for product warranties	2,804,954	-	(104,953)	-	-	2,700,001
provision for agents' customer compensation	2,797,917	-	-	253,465	(351,476)	2,699,906
provision for future risks and charges	30,614,640	-	(417,082)	4,520,005	(3,991,038)	30,726,525
provision for sundry personnel costs	65,371,153	-	(4,500,000)	11,383,311	(12,843,337)	59,411,127
provision for contests	271,642	-	-	50,000	-	321,642
provision for restructuring	4,586,822	-	-	5,765,715	(402,537)	9,950,000
derivative liabilities	4,040,181	15,039,699	-	-	-	19,079,880
<b>Total other provisions</b>	<b>131,423,210</b>	<b>15,039,699</b>	<b>(6,532,903)</b>	<b>25,129,468</b>	<b>(18,740,120)</b>	<b>146,319,354</b>
<b>Total provisions</b>	<b>150,572,786</b>	<b>5,667,627</b>	<b>(6,532,903)</b>	<b>25,203,234</b>	<b>(19,308,531)</b>	<b>155,602,213</b>

The provision for taxes amounts to €953,636 and was drawn down for €513,887, mainly to cover the greater IRAP (regional production tax) following the settlement of an assessment regarding the 2015 tax period.

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

The provision for legal issues amounted to €17,618,834 and 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. In the year, the provision was increased by €3.2 million to cover charges for litigation with customers and/or distributors. The utilisation of €1.1 million referred to the settlement of legal and settlement expenses incurred in the year, but related to disputes arising in previous years. It should be noted that the provision was recognised to also account for risks relating to labour law disputes (€1,488,834).

The provision for guarantees and endorsements amounted to €3,811,439 and was 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 agents' customer compensation amounted to €2,699,906 and referred to the compensation payable to 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. The change in the year referred for €493,916 to the liquidation paid to several agents and for €395.905 to the amount set aside for the share due in the year.

The provision for product warranties amounted to €2,700,001 and referred to any charges that the Company will have to bear to replace defective coffee machines under warranty and remedy any faults.

The provision for future risks and charges increased amounted to €30,726,525, up by approximately €4.5 million in the year as a result of the continuation and development of 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 provision was used for about €4 million for the scrapping of production lines of plastic capsules, which continued to be replaced by the new aluminium capsules with zero environmental impact.

The provision for sundry personnel costs amounted to €59,411,127 and included the accruals and uses for employee bonuses and incentives.

The provision for contests amounted to €321,642 and consisted of 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 provision for restructuring amounted to €9,950,000, including the charges incurred for company reorganisation. In the year, the provision rose by €5.8 million taking into account the future activities to be implemented and was partially drawn down to cover the costs incurred during the year.

The item "derivative liabilities" included the fair value of the outstanding derivatives at 31 December 2022.

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The following table provides a detailed description:

	NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
<b>Current derivative liabilities</b>				
on exchange rates	EUR 330.515.849	Exchange rate risk	13,835,791	Sales/Purchases of green coffee
on commodities	EUR 102.669.669	Commodity risk	5,207,417	Purchases of green coffee
<b>Total</b>			<b>19,043,208</b>	
<b>Non-current derivative liabilities</b>				
on exchange rates	EUR 5.944.398	Exchange rate risk	36,672	Sales/Purchases of green coffee
<b>Total</b>			<b>36,672</b>	
<b>Total</b>			<b>19,079,880</b>	

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, following the repayment of the underlying loan, the Company unwound the derivative financial instrument (a cross currency swap) into which it had entered in previous years to transform the fixed-rate intercompany loan in US Dollar granted to the subsidiary Lavazza Professional Holding North America Inc.

The following table shows the movements in the year:

	31.12.2022	31.12.2021	CHANGES
<b>Current derivative liabilities</b>			
Derivatives to hedge exchange rate risk	13,835,791	834,600	13,001,191
Derivatives to hedge commodity risk	5,207,417	713,501	4,493,916
<b>Non-current derivative liabilities</b>			
Derivatives to hedge exchange rate risk	36,672	220,599	(183,927)
Derivatives to hedge interest-rate risk	-	2,271,480	(2,271,480)
<b>Total</b>	<b>19,079,880</b>	<b>4,040,180</b>	<b>15,039,700</b>

## EMPLOYEE TERMINATION INDEMNITIES

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

<b>Balance at 31.12.2021 after deduction of advance payment for tax Re. Law 662/96</b>	<b>12,138,174</b>
Use of indemnities paid in the year	(790,779)
Advances	(93,995)
revaluation of the year	957,814
<b>Balance at 31.12.2022</b>	<b>12,211,214</b>

Employee termination indemnities at 31 December 2022 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, €4,090,203 was allocated to the following entities for financing supplemental pension schemes:

DESCRIPTION	CURRENCY	AMOUNT
Alifond	EUR	1,946,660
Fon.te.	EUR	240,344
Previndai	EUR	1,464,063
Open-ended funds	EUR	439,136
<b>Total</b>	<b>EUR</b>	<b>4,090,203</b>

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## LIABILITIES

Liabilities amounted to €1,048,478,095 at 31 December 2022, broken down as follow:

	31.12.2022	31.12.2021	CHANGES
Payables to banks	456,180,496	628,988,723	(172,808,227)
Advance payments	1,603,390	1,482,963	120,427
Trade payables	333,610,860	277,214,077	56,396,783
Payables to subsidiaries	160,697,329	119,528,874	41,168,455
Payables to the Parent Company	-	10,315,835	(10,315,835)
Payables to related companies	4,261,178	1,684,896	2,576,282
Tax payables	3,779,673	6,094,769	(2,315,096)
Social security liabilities	5,002,269	5,412,091	(409,822)
Other liabilities	83,342,900	76,127,600	7,215,300
<b>Total</b>	<b>1,048,478,095</b>	<b>1,126,849,828</b>	<b>(78,371,733)</b>

The item "payables to banks" amounted to €456 million and referred:

- for €155 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 five years, which during the year was repaid for €155 million;
- for €301 million to a corporate financing contract belonging to the sustainability-linked loan category, entered into in July 2021 with a pool of banks composed of four major banking institutions 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 change during the year of €172,808,227 was mainly attributable to the following effects:

- repayment of the corporate loan contracted in 2018 for €155 million, according to the terms of the contract;
- repayment of €20 million on a line of credit opened during the previous year and fully repaid at the reporting date.

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

	31.12.2022	31.12.2021	CHANGES
Payables to banks			
- due within one year	156,787,739	175,171,820	(18,384,081)
- due after one year	299,392,757	453,816,903	(154,424,146)
<b>Total</b>	<b>456,180,496</b>	<b>628,988,723</b>	<b>(172,808,227)</b>

The following table provides the breakdown by geographic area:

	ITALY	EU COUNTRIES	OTHER EUROPEAN COUNTRIES	AMERICAS	AUSTRALIA	OTHER COUNTRIES	TOTAL
Payables to banks	456,180,496	-	-	-	-	-	456,180,496
Advance payments	24,733	14,102	153,271	21,922	-	1,389,362	1,603,390
Trade payables	284,425,345	28,284,513	10,349,678	635,687	6,137	9,909,500	333,610,860
Payables to subsidiaries	16,854,543	98,736,095	28,895,725	14,789,608	456,961	964,397	160,697,329
Payables to the Parent Company	-	-	-	-	-	-	-
Payables to related companies	4,261,178	-	-	-	-	-	4,261,178
Tax payables	3,740,493	31,294	7,886	-	-	-	3,779,673
Social security liabilities	5,002,269	-	-	-	-	-	5,002,269
Other liabilities	47,638,262	26,608,672	3,517,857	613,769	-	4,964,340	83,342,900
<b>Total</b>	<b>818,127,319</b>	<b>153,674,676</b>	<b>42,924,417</b>	<b>16,060,986</b>	<b>463,098</b>	<b>17,227,599</b>	<b>1,048,478,095</b>



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The following table provides the breakdown of payables to subsidiaries:

	31.12.2022	31.12.2021	CHANGES
<b>Trade payables:</b>			
<b>Direct subsidiaries</b>			
Lavazza Australia Pty Ltd	456,961	395,078	61,883
Lavazza Coffee (UK) Ltd	1,573,083	71,036	1,502,047
Lavazza do Brasil Ltda	26,945	-	26,945
Lavazza France S.a.s.	21,477	109,423	(87,946)
Lavazza Maroc S.a.r.l.	123,694	95,518	28,176
Lavazza Netherlands B.V.	277,630	58,524	219,106
Lavazza Premium Coffees Co.	1,238,544	1,211,545	26,999
Lavazza Japan GK	-	33,594	(33,594)
Lavazza Spain S.L.	726,911	537,645	189,266
Lavazza Trading (Shenzhen) Co. Ltd	746,197	770,376	(24,179)
Carte Noire S.a.s.	2,996,464	1,968,368	1,028,096
Cofincaf S.p.A.	7,851,652	460,084	7,391,568
Merrild Kaffe ApS	448,722	240,409	208,313
Nims S.p.A.	92,587	289,739	(197,152)
<b>Indirect subsidiaries</b>			
Lavazza Australia OCS Pty Ltd	-	359,054	(359,054)
Lavazza Professional France S.a.s.	321,287	-	321,287
Lavazza Professional Germany G.m.b.H.	5,427,603	-	5,427,603
Lavazza Professional NA LLC	7,857,422	301,021	7,556,401
Lavazza Professional (UK) Ltd	21,150,824	668,180	20,482,644
Carte Noire Operations S.a.s.	4,310,280	6,449,357	(2,139,077)
Fresh and Honest Café Ltd	94,506	71,072	23,434
<b>Controlled by the same parent company</b>			
Lavazza Eventi S.r.l.	2,846,709	105,596	2,741,113
Chili S.p.A.	11,943	4,880	7,063
Lea S.r.l.	928,303	750,000	178,303
<b>Total trade payables</b>	<b>59,529,744</b>	<b>14,950,499</b>	<b>44,579,245</b>
<b>Financial payables:</b>			
<b>Direct subsidiaries</b>			
Lavazza Coffee (UK) Ltd	4,360,406	8,226,025	(3,865,619)
Lavazza Deutschland G.m.b.H.	33,195,353	36,977,921	(3,782,568)
Lavazza France S.a.s.	20,057,701	11,796,041	8,261,660
Lavazza Kaffee G.m.b.H.	1,799,957	3,500,862	(1,700,905)
Lavazza Premium Coffees Co.	5,666,698	5,299,826	366,872
Lavazza Spain S.L.	138,066	215,044	(76,978)
Carte Noire S.a.s.	20,658,967	19,603,578	1,055,389
Cofincaf S.p.A.	334,211	7,534	326,677
E-Coffee Solutions S.r.l.	2,581,384	751,453	1,829,931
Nims S.p.A.	5,994,709	5,004,182	990,527
<b>Indirect subsidiaries</b>			
Lavazza Professional France S.a.s.	-	346,437	(346,437)
Lavazza Professional Germany G.m.b.H.	7,461,316	4,500,693	2,960,623
Lavazza Professional NA LLC	-	6,623,480	(6,623,480)
Lavazza Professional (UK) Ltd	-	17,431	(17,431)
Lavazza Professional (UK) Operating Services Ltd	1,811,412	680,430	1,130,982
Carte Noire Operations S.a.s.	894,360	1,887,914	(993,554)
<b>Controlled by the same parent company</b>			
Lavazza Entertainment S.r.l.	474,223	476,408	(2,185)
Lavazza Eventi S.r.l.	-	348,012	(348,012)
<b>Total financial payables</b>	<b>105,428,763</b>	<b>106,263,271</b>	<b>(834,508)</b>
<b>Total payables to subsidiaries</b>	<b>164,958,507</b>	<b>121,213,770</b>	<b>43,744,737</b>

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:

	31.12.2022	31.12.2021	CHANGES
Foreign value-added tax	40,697	24,115	16,582
Income tax to be paid as withholding agents	2,976,476	3,053,498	(77,022)
IRAP (regional production tax)	-	1,592,059	(1,592,059)
Other taxes	762,500	1,425,097	(662,597)
<b>Total</b>	<b>3,779,673</b>	<b>6,094,769</b>	<b>(2,315,096)</b>

Tax payables amounted to €3,779,673 million and were mainly attributable to the amounts withheld by the Company from employee remuneration. The change of €2,315,096 was mainly due to the IRAP advance payments made during the year, which were sufficient to cover the final balance due determined at the reporting date.

The item "other liabilities" consists of the following:

	31.12.2022	31.12.2021	CHANGES
Trade discounts payable	66,616,601	59,872,616	6,743,985
Payables to personnel	15,931,199	15,459,283	471,916
Deposits received from third parties	634,499	521,238	113,261
Sundry trade payables	110,266	126,042	(15,776)
Financial debts	10,083	41,736	(31,653)
Other	40,252	106,685	(66,433)
<b>Total</b>	<b>83,342,900</b>	<b>76,127,600</b>	<b>7,215,300</b>

The item "trade discounts payable" refers to credit notes to be issued to customers who reached the contractually established volume or sales targets during the year. The increase compared to the previous year was attributable to the turnover expansion reported in 2022.

Payables to personnel 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 "financial debts" refers to the movements in 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:

	31.12.2022	31.12.2021	CHANGES
<b>Accruals:</b>			
14 <sup>th</sup> month salary	3,752,384	3,637,924	114,460
of interest	64,000	60,620	3,380
<b>Total accruals</b>	<b>3,816,384</b>	<b>3,698,544</b>	<b>117,840</b>
<b>Deferred income:</b>			
on tax relief for plant	5,938,839	5,312,988	625,851
on derivatives	-	101,076	(101,076)
on public contributions	48,000	72,000	(24,000)
on franchising entry fees	2,467	2,467	-
<b>Total deferred income</b>	<b>5,989,306</b>	<b>5,488,531</b>	<b>500,775</b>
<b>Total accruals and deferred income</b>	<b>9,805,690</b>	<b>9,187,075</b>	<b>618,615</b>

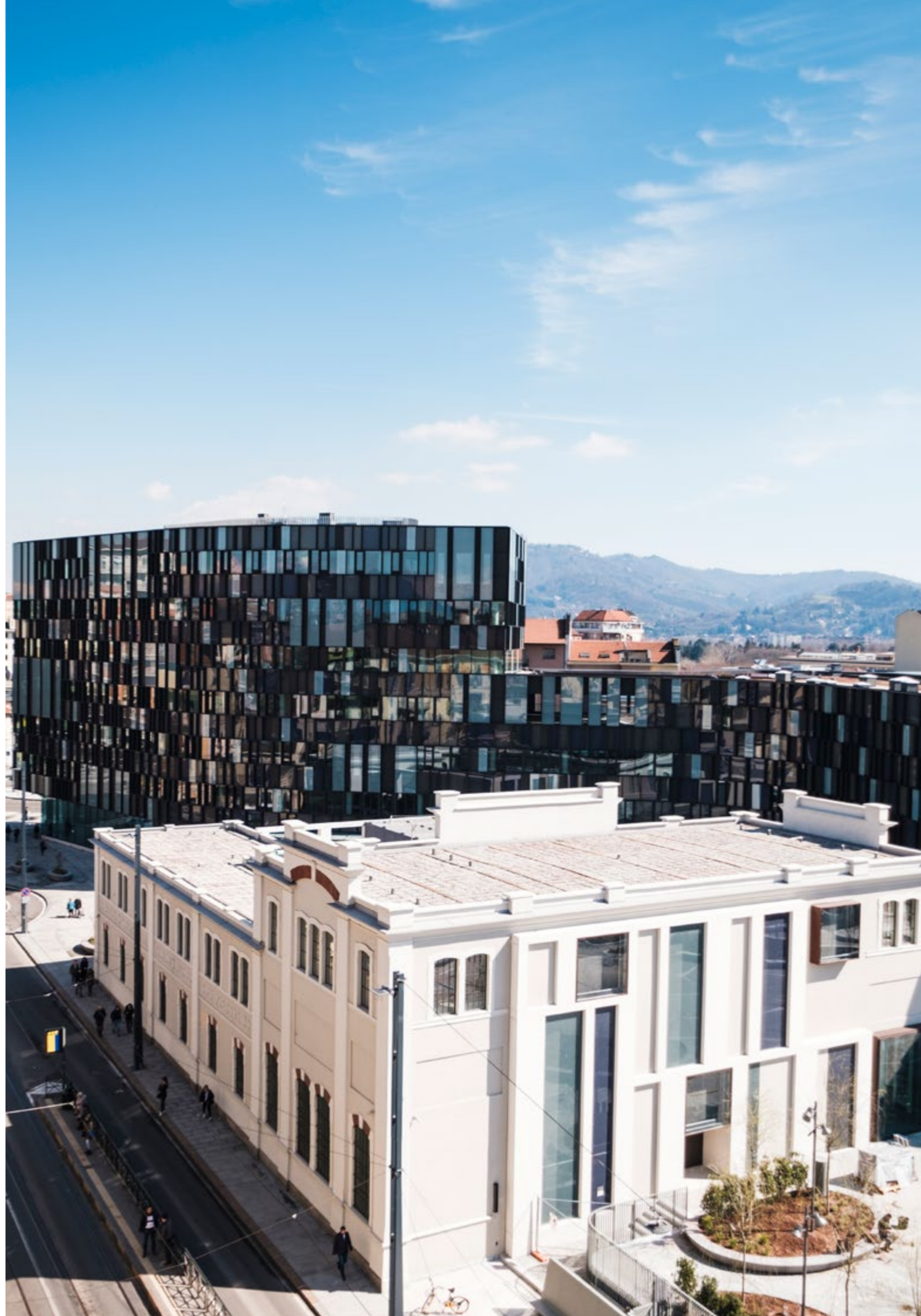
The item "deferred income on tax relief for plant" refers to the future share of government grants pursuant to Article 1, paragraph 35, of Law No. 190/2014 (Research & Development Bonus), which have been accounted for according to the indirect method, spread over the useful lives of the plants to which 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 2022.

The amounts in question will be fully charged through profit or loss when the hedged costs are recognised.

## DEFERRED INCOME ON POSITIVE CHANGE IN TIME VALUE OF DERIVATIVES

	31.12.2022	31.12.2021	CHANGES
Time value of options on exchange rates	-	5,750	(5,750)
Time value of options on commodities	-	95,327	(95,327)
<b>Total</b>	<b>-</b>	<b>101,077</b>	<b>(101,077)</b>



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# STATEMENT OF PROFIT OR LOSS

## VALUE OF PRODUCTION

### NET REVENUES

Net revenues for the year were broken down as follows:

CATEGORIES OF ASSETS	YEAR 2022	YEAR 2021	CHANGES
<b>SALES OF COFFEE AND FOOD PRODUCTS</b>	1,845,352,684	1,566,782,961	278,569,723
Sales of coffee machines and spare parts	68,535,803	70,706,352	(2,170,549)
Sales of raw materials and other ancillaries	13,885,735	12,613,971	1,271,764
Sales of advertising material	7,330,385	7,241,090	89,295
Sales of other products	4,007,355	2,991,799	1,015,556
Sales of packaging	111,323	369,817	(258,494)
<b>Total</b>	<b>1,939,223,285</b>	<b>1,660,705,990</b>	<b>278,517,295</b>

For a breakdown of composition, changes and events occurred in the year, reference should be made to the Report on Operations.

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

DESTINATION	SUBSIDIARIES	OTHER CUSTOMERS	TOTAL
EU countries	615,785,747	287,360,213	903,145,960
Other European countries	78,322,237	53,801,494	132,123,731
USA	59,890,621	-	59,890,621
Rest of the world	32,888,445	64,369,782	97,258,227
<b>Total sales abroad</b>	<b>786,887,050</b>	<b>405,531,489</b>	<b>1,192,418,539</b>
<b>Total sales Italy</b>	<b>36,932,660</b>	<b>709,872,086</b>	<b>746,804,746</b>
<b>Total</b>	<b>823,819,710</b>	<b>1,115,403,575</b>	<b>1,939,223,285</b>

### OTHER INCOME AND REVENUES

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

	YEAR 2022	YEAR 2021	CHANGES
Charge-backs to Group companies	119,048,623	111,050,752	7,997,871
Contingent income	4,601,374	9,761,347	(5,159,973)
Grants	7,229,938	2,593,457	4,636,481
Rentals	1,784,460	1,407,535	376,925
Royalties for the use of our trademarks by third parties	938,304	983,786	(45,482)
Income from compensation for damages	1,234,964	906,125	328,839
Ordinary capital gains	107,151	867,469	(760,318)
Other	9,767,356	2,337,661	7,429,695
<b>Total</b>	<b>144,712,170</b>	<b>129,908,132</b>	<b>14,804,038</b>

The item "charge-backs to Group companies" of €119,048,623 related to Luigi Lavazza S.p.A.'s charge-back to company functions centralised within the Parent Company, such as general and administrative management, IT, research and development, transport and promotional service costs. The €8 million increase in the year included intragroup revenues relating to the redefinition of trade relations with Lavazza Professional companies in the USA and Europe for €3.1 million.

### INFORMATION REQUIRED BY ARTICLE 1, PARAGRAPH 125, OF LAW NO. 124 OF 4 AUGUST 2017

Pursuant to Article 3-*quarter* of Decree-Law No. 135/2018, for information on grants received, reference should be made to the Italian 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 operational grants were recognised, together with the accrued share of capital grants the benefit of which was received in previous years:



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## OPERATIONAL GRANTS

GRANTING PARTY	AMOUNT RECEIVED (EURO)	DESCRIPTION
---	558,141	IT and IT GREEN 2022 tax credit - Law 160/2019, as amended by Law 178/2020
---	166,032	R&D 2022 credit - Law 160/2019, as amended by Law 178/2020
GSE	220,971	Photovoltaic system incentives MD 19/02/07 New Energy Account
	5,253,069	Energy and gas credit 2022
FONDIMPRESA	119,350	Training Plan
<b>Total</b>	<b>6,317,563</b>	

## CAPITAL GRANTS

GRANTING PARTY	AMOUNT RECEIVED (EURO)	DESCRIPTION
---	245,746	Bonus for investments in new capital goods Ateco 28
---	349,845	Credit for investment in capital goods 4.0 -2020-21-22
---	242,037	R&D - IT - IT GREEN credit 2018-19-20-21-22
EU C.I.R.A.D. EPIC	50,747	EU Bolero Project for low-input coffee farming systems
---	24,000	Credit for investment in ordinary property, plant and equipment
<b>Total</b>	<b>912,375</b>	

Rentals refer to payments for coffee (beans and capsules), 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 by third parties" mainly refers to the licences for using the Carte Noire trademark in France and the Lavazza trademark in France, the USA and Canada, in addition to the franchise agreements for the Expression and Caffè di Roma trademarks.

The item "contingent income" refers mainly to the release to income of provisions recognised in previous years and determined to be in excess in 2022 (€4.5 million). For further details, reference is made to the "Provisions for risks and charges" section in the Balance Sheet - Equity and Liabilities.

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

	NET REVENUES	OTHER INCOME	TOTAL
<b>Holding Company</b>			
Finlav S.p.A.	-	25,000	25,000
<b>Direct subsidiaries</b>			
Lavazza Australia Pty Ltd	26,181,339	4,519,853	30,701,192
Lavazza Capital S.r.L.	-	140,000	140,000
Lavazza Coffee (UK) Ltd	76,510,572	9,338,516	85,849,088
Lavazza Deutschland G.m.b.H.	179,559,021	22,279,855	201,838,876
Lavazza France S.a.s.	53,595,576	2,016,694	55,612,270
Lavazza Kaffee G.m.b.H.	14,602,354	1,946,143	16,548,497
Lavazza Maroc S.a.r.l.	-	11,927	11,927
Lavazza Netherlands B.V.	-	338,061	338,061
Lavazza Premium Coffees Co.	59,727,559	31,139,143	90,866,702
Lavazza Professional Holding NA Inc.	-	2,700,714	2,700,714
Lavazza Japan GK	506,829	219,730	726,559
Lavazza Spain S.L.	-	40,049	40,049
Lavazza Sweden AB	12,530,282	1,381,718	13,912,000
Carte Noire S.a.s.	271,513,037	26,001,835	297,514,872
Cofincaf S.p.A.	-	98,368	98,368
E-Coffee Solutions S.r.l.	-	630,593	630,593
Kicking Horse Coffee Co. Ltd	-	520,414	520,414
Merrild Kaffe ApS	81,070,463	4,239,333	85,309,796
Nims S.p.A.	36,782,347	1,305,804	38,088,151
<b>Associates</b>			
Yi Bai Coffee Co. Ltd	4,844,905	242,259	5,087,164
<b>Controlled by the same parent company</b>			
Lavazza Eventi s.r.l.	142,880	382,278	525,158
Lea S.r.l.	7,433	130,511	137,944
<b>Indirect subsidiaries</b>			
Lavazza Australia OCS Pty Ltd	1,020,394	639,644	1,660,038
Lavazza Professional France S.a.s.	10,278	570,605	580,883
Lavazza Professional Germany G.m.b.H.	2,904,736	3,639,170	6,543,906
Lavazza Professional NA LLC	163,062	6,372,853	6,535,915
Lavazza Professional (UK) Ltd	1,811,665	2,464,060	4,275,725
Lavazza Professional (UK) Operating Services Ltd	-	92,901	92,901
Carte Noire Operations S.a.s.	-	291,384	291,384
Fresh and Honest Café Ltd	334,978	20,968	355,946
Merrild Baltics SIA	-	990	990
<b>Total</b>	<b>823,819,710</b>	<b>123,741,373</b>	<b>947,561,083</b>



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## COSTS OF PRODUCTION

### RAW MATERIALS, ANCILLARIES, CONSUMABLES AND GOODS

Purchases for the year were broken down as follows:

	YEAR 2022	YEAR 2021	CHANGES
Raw materials	1,053,681,438	666,000,469	387,680,969
Goods	122,187,917	107,106,221	15,081,696
Miscellaneous ancillary material	8,983,453	7,440,598	1,542,855
<b>Total</b>	<b>1,184,852,808</b>	<b>780,547,288</b>	<b>404,305,520</b>

The increase in the cost of raw materials was mainly linked to the general rise in the price of most commodities, particularly green coffee.

Arabica began 2022 at \$223 cts/lb and early in the year was affected by the unforeseeable nature of the Brazilian harvest, which was to begin in May and had suffered the 21 July frost. After a peak of \$258 cts/lb on 9 February, prices remained within a trading range of \$200 cts/lb to \$250 cts/lb until mid-October. The better-than-expected harvest and concerns of demand held back by inflation then triggered an initial decline, which gained momentum in October after the rains came and the plants flowered, indicative of a strong harvest in Brazil for 2023. The price of the first position reached a low of \$151 cts/lb on 18 November, to close the year at \$167 cts/lb.

Despite benefiting from the excellent harvests of Conilon in Brazil and Vietnam, Robusta partly reflected the performance of Arabica in 2022: it declined by 24% compared to the beginning of the year, against the -32% recorded by Arabica. This was due to the fact that many roasters made greater use of Robusta in their blends, significantly reducing the quantity of coffee for export. When the market opened in January, the price was 2,467 \$/tonne. It fluctuated but remained above 1,900 \$/tonne until October, when it reached a low of 1,808 \$/tonne on 16 November, followed by a slight recovery to 1,869 \$/tonne on 30 December.

### COSTS FOR SERVICES

The main costs for services were as follows:

	YEAR 2022	YEAR 2021	CHANGES
Commercial and sales costs	369,552,022	370,299,182	(747,160)
Ancillary purchasing and production costs	226,401,521	153,274,791	73,126,730
Other	66,572,601	56,632,387	9,940,214
<b>Total</b>	<b>662,526,144</b>	<b>580,206,360</b>	<b>82,319,784</b>

Commercial and sales costs remained stable compared to the previous year and referred primarily to costs relating to advertising and promotional services, costs of trade fairs and events, as well as costs for advisory and market research, entertainment and hospitality, and finished product transport costs.

Ancillary purchasing and production costs rose significantly by €73.1 million compared to the previous year, mainly due to:

- cost of industrial utilities, in particular energy and gas, for €17.5 million;
- cost for logistical services, shipping and rents for €37.3 million;
- intragroup costs relating to the redefinition of trade relations with Lavazza Professional companies in the USA and Europe for €17.2 million.

The item "other" increased mainly as a result of higher costs for general and administrative services, ancillary personnel costs and Group IT costs.

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

	TOTAL REMUNERATION PAID
Directors' fixed remuneration	1,887,223
Statutory Auditors' fixed remuneration	167,440
<b>Total</b>	<b>2,054,663</b>

### USE OF THIRD-PARTY ASSETS

The following table provides a detailed description:

	YEAR 2022	YEAR 2021	CHANGES
Lease of software and electronic equipment	10,501,905	8,355,492	2,146,413
Property leases	9,358,813	8,926,960	431,853
Vehicle leases	4,379,116	4,039,118	339,998
Other leases	1,565,809	1,888,704	(322,895)
Royalties for use of trademarks and patents	166,691	956,829	(790,138)
<b>Total</b>	<b>25,972,334</b>	<b>24,167,103</b>	<b>1,805,231</b>

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



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## PERSONNEL COSTS

Personnel costs include wages, corresponding contributions, employee termination indemnities paid and the total cost of temporary employment.

The item "other personnel costs" 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 HEADCOUNT AT		AVERAGE HEADCOUNT AT	
	2022	31.12.2022	2021	31.12.2021
Executives	101	101	97	97
Managers	128	131	118	120
Middle Managers	202	200	194	201
White Collars	736	747	722	738
Travelling personnel	153	154	156	154
Blue Collars	462	457	472	471
<b>Total</b>	<b>1,782</b>	<b>1,790</b>	<b>1,759</b>	<b>1,781</b>

## AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The breakdown in the sub-items has already been reported in the Statement of Profit or Loss; the comments are given in the relevant item included in the Balance Sheet.

## PROVISIONS FOR RISKS AND OTHER PROVISIONS

They refer to the following items:

	YEAR 2022	YEAR 2021	CHANGES
<b>Provisions for risks:</b>			
for legal charges and litigations	2,656,972	4,935,000	(2,278,028)
for future risks and charges	4,820,005	15,287,128	(10,467,123)
for HR litigation	500,000	-	500,000
for machines guarantees	-	2,804,955	(2,804,955)
<b>Total provisions for risks</b>	<b>7,976,977</b>	<b>23,027,083</b>	<b>(15,050,106)</b>
<b>Other provisions:</b>			
for prize competition charges	50,000	221,642	(171,642)
<b>Total other provisions</b>	<b>50,000</b>	<b>221,642</b>	<b>(171,642)</b>

Further details are given under section Provisions for risks and charges.

## OTHER OPERATING CHARGES

The following table shows the main components:

	YEAR 2022	YEAR 2021	CHANGES
Social charges	4,256,878	9,647,088	(5,390,210)
Other gifts and advertising material	3,258,209	2,969,610	288,599
Miscellaneous taxes and duties	2,307,525	3,276,228	(968,703)
Association duties	949,625	772,630	176,995
Capital losses	116,770	171,841	(55,071)
Other	3,351,839	2,293,164	1,058,675
<b>Total</b>	<b>14,240,846</b>	<b>19,130,561</b>	<b>(4,889,715)</b>

The main item relates to the donations made to recognised non-profit organisations and entities in support of social, health and cultural projects. It included a €2.5 million donation to the non-profit Giuseppe and Pericle Lavazza Foundation, which has always played an active role in promoting and implementing economic, social and environmental sustainability projects in favour of coffee-growing communities all over the world.

The reported capital losses were of a non-financial nature and arose from the sale of fixed assets.



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Production costs pertaining to subsidiaries were as follows

	COSTS FOR PURCHASES	COSTS FOR SERVICES	COSTS FOR OTHER OPERATING EXPENSES	COSTS FOR FINANCIAL EXPENSE	TOTAL
<b>Holding Company</b>					
Finlav S.p.A.	-	322,276	-	-	322,276
<b>Direct subsidiaries</b>					
Lavazza Argentina S.A.	-	-	171,736	-	171,736
Lavazza Australia Pty Ltd	179,394	359,786	-	-	539,180
Lavazza Coffee (UK) Ltd	87	1,573,083	-	15,515	1,588,685
Lavazza Deutschland G.m.b.H.	195,895	66,000	-	-	261,895
Lavazza do Brasil Ltda	-	66,642	-	-	66,642
Lavazza France S.a.s.	21,687	20,421	-	5,490	47,598
Lavazza Kaffee G.m.b.H.	2,431	-	-	-	2,431
Lavazza Maroc S.a.r.l.	-	195,404	-	-	195,404
Lavazza Netherlands B.V.	-	277,630	-	-	277,630
Lavazza Premium Coffees Co.	-	2,113,469	-	40,127	2,153,596
Lavazza Spain S.L.	-	726,912	-	405	727,317
Lavazza Trading (Shenzhen) Co.Ltd	-	1,235,165	-	-	1,235,165
Carte Noire S.a.s.	168,159	3,644,682	-	9,911	3,822,752
Cofincaf S.p.A.	-	680,866	-	383,124	1,063,990
E-Coffee Solutions S.r.l.	-	-	-	13,175	13,175
Kicking Horse Coffee Co. Ltd	-	23,341	-	-	23,341
Merrild Kaffe ApS	220	448,722	-	-	448,942
Nims S.p.A.	197	800	45,836	60,249	107,082
<b>Indirect subsidiaries</b>					
Lavazza Professional France S.a.s.	-	321,287	-	-	321,287
Lavazza Professional Germany G.m.b.H.	-	94,769	-	-	94,769
Lavazza Professional NA LLC	-	7,608,742	-	270,865	7,879,607
Lavazza Professional (UK) Ltd	13,591	29,933,920	-	-	29,947,511
Lavazza Professional (UK) Operating Services Ltd	-	-	-	2,579	2,579
Carte Noire Operations S.a.s	-	27,274,131	-	-	27,274,131
Fresh and Honest Café Ltd	557,517	-	1,360	-	558,877
<b>Controlled by the same parent company</b>					
Lavazza Entertainment S.r.l	-	-	-	3,641	3,641
Lavazza Eventi S.r.l.	-	2,673,607	113,280	-	2,786,887
Chili S.p.A.	-	1,041,843	-	-	1,041,843
Lea S.r.l.	-	863,694	-	-	863,694
<b>Total</b>	<b>1,139,178</b>	<b>81,567,192</b>	<b>332,212</b>	<b>805,081</b>	<b>83,843,663</b>

## FINANCIAL INCOME AND EXPENSE

### FINANCIAL INCOME

The following table shows the main components:

	YEAR 2022	YEAR 2021	CHANGES
<b>Income from investments</b>			
Dividends from subsidiaries	31,848,655	25,516,195	6,332,460
Dividends from other companies	504,209	-	504,209
<b>Total</b>	<b>32,352,864</b>	<b>25,516,195</b>	<b>6,836,669</b>

Dividends from subsidiaries consisted of:

CURRENCY	AMOUNT	COMPANY
EUR	11,000,000	Carte Noire S.a.s.
EUR	2,303,882	Lavazza Coffee (UK) Ltd
EUR	6,500,000	Lavazza Deutschland G.m.b.H.
EUR	2,000,000	Lavazza France S.a.s.
EUR	3,489,026	Lavazza Premium Coffees Corp.
EUR	2,015,804	Merrild Kaffe ApS
EUR	4,539,943	Nims S.p.A.
<b>Total</b>	<b>31,848,655</b>	

Dividends from other companies amounted to €504,209 and referred to the inflow of dividends approved by INV. A.G. S.r.l., collected in the year.

Other financial income was broken down as follows:

	YEAR 2022	YEAR 2021	CHANGES
<b>Interest income</b>			
on non-current receivables	2,245,345	2,796,639	(551,294)
on bank current accounts	301,873	26,331	275,542
from subsidiaries and associates	278,575	7,899	270,676
from companies controlled by the Parent Company	4,270	268	4,002
<b>Total interest income</b>	<b>2,830,063</b>	<b>2,831,137</b>	<b>(1,074)</b>

The item "interest income on non-current receivables" mainly referred 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.

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The decrease compared to the previous year referred 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 referred 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 2022	YEAR 2021	CHANGES
<b>Interest expense</b>			
to credit institutions	5,062,330	5,104,885	(42,555)
to subsidiaries and associates	147,451	230,063	(82,612)
to companies controlled by the Parent Company	3,641	235	3,406
<b>Total interest expense</b>	<b>5,213,422</b>	<b>5,335,183</b>	<b>(121,761)</b>
<b>Expenses and commissions</b>			
to subsidiaries and associates	383,124	390,099	(6,975)
<b>Total expenses and commissions</b>	<b>383,124</b>	<b>390,099</b>	<b>(6,975)</b>
<b>Total interest and financial expense</b>	<b>5,596,546</b>	<b>5,725,282</b>	<b>(128,736)</b>

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

The item "interest expense to credit institutions" mainly referred 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.

## EXCHANGE GAINS AND LOSSES

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

	YEAR 2022	YEAR 2021	CHANGES
Unrealised exchange gains	3,481,444	28,392,563	(24,911,119)
Realised exchange gains	17,156,656	6,666,246	10,490,410
<b>Total exchange gains</b>	<b>20,638,100</b>	<b>35,058,809</b>	<b>(14,420,709)</b>
Unrealised exchange losses	7,261,002	23,372,907	(16,111,905)
Realised exchange losses	22,102,621	5,489,715	16,612,906
<b>Total exchange losses</b>	<b>29,363,623</b>	<b>28,862,622</b>	<b>501,001</b>
<b>Net exchange gains (losses)</b>	<b>(8,725,523)</b>	<b>6,196,187</b>	<b>(14,921,710)</b>

## VALUE ADJUSTMENTS TO FINANCIAL ASSETS

Value adjustments to investments referred for €6,717,000 to the write-down of the investment in Lavazza Netherlands B.V. and to the adjustment to market value of the investment in the subsidiary Fresh and Honest Café Ltd following the valuation conducted in view of the sale of a 76% interest in the company in January 2023.

In addition, during the year the equity investment in INV. A.G. S.r.l. was sold for a value in excess of its carrying amount in the previous year, resulting in a reversal of €4,858,369.

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.

Therefore, a net write-down of €3,188,657 was recognised in the year due to the ineffective component of the derivatives contracted to hedge against foreign exchange, interest rate and commodity risks and subject to hedge accounting, since the said component met all the conditions for the hedge accounting treatment of derivatives as per OIC 32.



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## 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:

<b>CURRENT TAXES FOR THE YEAR</b>	
IRES (corporate income tax)	5,032,599
IRAP (regional production tax)	3,392,275
Other current taxes	165,729
<b>PRIOR YEARS' TAXES</b>	
Allocation to provision for future taxes	-
<b>DEFERRED TAXES FOR THE YEAR</b>	
Provision for deferred tax assets	(7,922,847)
Reversals of deferred tax assets	9,658,716
Provision for deferred tax liabilities	82,626
Reversals of deferred tax liabilities	(63,385)
<b>Total taxes for the Year</b>	<b>5,553,178</b>

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 2021								YEAR 2022					
	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			
<b>DEFERRED IRES TAXES</b>														
Allocations to deferred deductibility provisions	167,964,683	24.0%	40,311,523	(34,713,499)	24.0%	(8,331,240)	32,635,971	24.0%	7,832,633	165,887,155	39,812,916			
Unrealised exchange losses	5,206,100	24.0%	1,249,464	(5,206,100)	24.0%	(1,249,464)	-	24.0%	-	-	-			
Statutory / tax differences from asset revaluation	5,300,396	24.0%	1,272,095	(114,581)	24.0%	(27,499)	-	24.0%	-	5,185,815	1,244,596			
Statutory / tax differences depreciations	1,444,788	24.0%	346,749	(165,032)	24.0%	(39,608)	323,347	24.0%	77,603	1,603,103	384,745			
Cash deductible costs	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-			
<b>PREPAID IRAP TAXES</b>														
Allocations to non-deductible/non-material provisions	-	3.9%	-	-	3.9%	-	-	3.9%	-	-	-			
Statutory / tax differences from asset revaluation	5,300,396	3.9%	206,715	(114,581)	3.9%	(4,469)	-	3.9%	-	5,185,815	202,246			
Statutory / tax differences depreciations	1,444,788	3.9%	56,347	(165,032)	3.9%	(6,436)	323,347	3.9%	12,611	1,603,103	62,522			
Cash deductible costs	-	3.9%	-	-	3.9%	-	-	3.9%	-	-	-			
Hedge reserve for expected cash flows	-	-	-	-	-	(438,562)	-	-	7,673,904	-	7,673,904			
<b>TOTAL DEFERRED TAX ASSETS</b>			<b>43,442,893</b>			<b>(10,097,278)</b>			<b>15,596,751</b>		<b>49,380,928</b>			
<b>DEFERRED IRES TAX LIABILITIES</b>														
Allocations to deferred deductibility provisions	-	24.0%	-	-	-	-	-	24.0%	-	-	-			
Unrealised exchange gains	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-			
Statutory / tax differences from M&As	5,353,223	24.0%	1,284,774	(227,184)	24.0%	(54,524)	344,274	24.0%	82,626	5,470,313	1,312,876			
<b>DEFERRED IRAP TAXES</b>														
Statutory / tax differences from M&As	3,391,732	3.9%	132,278	(214,607)	3.9%	(8,860)	-	3.9%	-	3,177,125	123,418			
Hedge reserve for expected cash flows	-	-	16,265,002	-	-	(16,265,002)	-	-	6,892,930	-	6,892,930			
<b>TOTAL DEFERRED TAXES</b>			<b>17,682,054</b>			<b>(16,328,386)</b>			<b>6,975,556</b>		<b>8,329,224</b>			



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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
<b>Gross profit</b>	<b>74,398,294</b>	<b>24.00%</b>	<b>17,855,591</b>	<b>24.00%</b>
<b>Higher tax charge</b>	<b>20,789,738</b>		<b>4,989,537</b>	<b>6.71%</b>
of which for:				
Non-deductible taxes	757,202		181,728	0.24%
Non-deductible write-downs	6,717,000		1,612,080	2.17%
Non-deductible depreciation and amortisation	3,975,081		954,019	1.28%
Non-deductible provisions	-		-	0.00%
Other non-deductible costs	9,340,455		2,241,709	3.01%
<b>Lower tax charge</b>	<b>(74,050,727)</b>		<b>(17,772,174)</b>	<b>23.89%</b>
of which for:				
Costs undeducted in previous years	-		-	0.00%
Dividends	(31,060,221)		(7,454,453)	-10.02%
Other deductible costs	(25,558,683)		(6,134,084)	-8.24%
Patent Box incentive	-		-	0.00%
Use of provisions	(3,378,584)		(810,860)	-1.09%
Contribution for economic growth (ACE)	(14,053,239)		(3,372,777)	-4.53%
<b>Actual IRES charge</b>	<b>21,137,305</b>	<b>24.00%</b>	<b>5,072,954</b>	<b>6.82%</b>
<b>Energy savings</b>			<b>(40,354)</b>	
<b>Net IRES</b>			<b>5,032,600</b>	

IRAP (REGIONAL PRODUCTION TAX)	TAXABLE AMOUNT	THEORETICAL TAX RATE	TAX CHARGE	EFFECTIVE TAX RATE
<b>Value of production (A-B)</b>	<b>241,541,328</b>	<b>3.94%</b>	<b>9,511,067</b>	<b>3.94%</b>
<b>Higher tax charge</b>	<b>11,279,797</b>		<b>444,159</b>	<b>0.18%</b>
of which for:				
Costs for outsourced personnel	1,964,652		77,361	0.03%
Non-deductible depreciation and amortisation	634,643		24,990	0.01%
Other non-deductible costs	8,680,502		341,808	0.14%
<b>Lower tax charge</b>	<b>(166,671,546)</b>		<b>(6,562,951)</b>	<b>-2.72%</b>
of which for:				
Costs undeducted in previous years	(165,032)		(6,498)	0.00%
Use of deductible provisions	(16,063,592)		(632,529)	-0.26%
Deductible contributions and costs for personnel	(150,442,922)		(5,923,924)	-2.45%
Patent Box incentive	-		-	0.00%
<b>Actual IRAP charge</b>	<b>86,149,610</b>	<b>3.94%</b>	<b>3,392,275</b>	<b>1.40%</b>



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## COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

### THIRD-PARTY GUARANTEES IN OUR FAVOUR

€8,648,749

They consist of guarantees given in our favour by banks: €1,500,000 in the interest of the Ministry of Economic Development for prize contest; €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; €303,467 to the Region of Piedmont for clearance work and safety assessment associated with the new Headquarters; €16,702 to Consorzio Nucleo Sviluppo Industriale Isernia for drinking water supply; €463,458 to Customs; and €689,934 for property leases.

### GUARANTEES IN FAVOUR OF SUBSIDIARIES

€19,443,557

The account consists of €8,580,519 in guarantees in favour of Cofincaf S.p.A. to finance contracts with Ho.Re.Ca. customers, €10,319,763 for financing customers' purchases of vending machines for beverages, and €543,275 for loans to employees.

### SUBSIDIARY FOR COLLECTION OF CREDITS

€24,321,888

This includes credits outstanding at year-end managed for collection by the subsidiary Cofincaf S.p.A..

### LEASING COMPANY FOR UPCOMING LEASE PAYMENTS

€67,094,096

This includes 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 2022 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. For further details, reference is made to the relevant sections of the Balance Sheet and Statement of Profit or Loss.



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## 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)*

At the macroeconomic level, the fluctuation in the prices of raw materials and commodities, such as green coffee, continued in the first few months after the end of 2022. In January, the Italian national index of consumer prices for all of society increased by 0.1% on a monthly basis and by 10% on an annual basis, down from +11.6% in the previous month. In early February 2023, the European Central Bank once again increased the cost of money by 0.5%, raising the interest rate on deposits to 2.5% and the rate on marginal refinancing operations to 3%, while also announcing that it will continue to increase interest rates significantly at a constant pace and keep them at sufficiently restrictive levels to ensure a prompt return of inflation to its 2% target in the medium term.

With regard to company transactions, the sale of a majority interest (76%) in the Indian company Fresh and Honest Café Ltd was finalised in January; the company will nonetheless remain the Lavazza Brand's exclusive distributor in India.

In February, the Company entered into a financing agreement with a pool of banks for a total of €600 million, divided into a term loan line and a revolving line, both with terms of five years, and intended to support the Company's investments tied to specific Group ESG (environmental, social and governance) targets, involving an incentive scheme linked to achieving certain sustainability parameters.

In the first quarter, contingent on approval by the General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF), the acquisition a 100% stake in French company MaxiCoffee is set to be finalised. The transaction will allow Luigi Lavazza S.p.A. to consolidate its position in France and strengthen its presence in the e-commerce channel, while increasing its presence in the private consumer market.

## 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, Italy

Fully paid-up share capital: €167,500,000

Tax code and Turin Company Register No. 03028560153

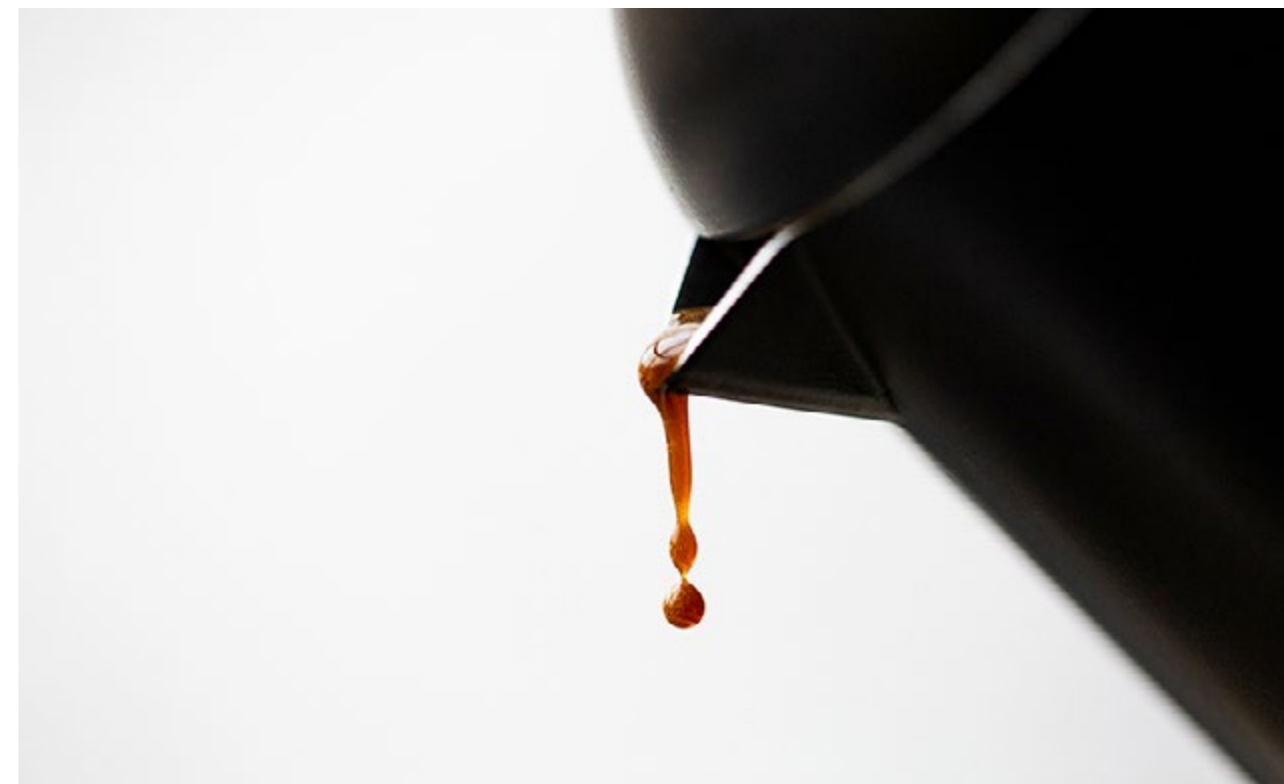
Turin Economic and Administrative Index (REA): 910824

## ALLOCATION OF THE PROFIT FOR THE YEAR

*(pursuant to Article 2427, paragraph 1, No. 22-septies, of the Italian Civil Code)*

We propose that the profit for the year, which amounted to €68,845,115, be allocated to a dividend of €1.72 per share to the 22,590,002 outstanding shares, for a total payout of €38,854,803.44, and €18,000 to the legal reserve, with the remaining €29,972,312.04 as profit carried forward.

Turin, 27 March 2023



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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

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STATUTORY AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 27 March 2023 concerning the year ended 31 December 2022:

- 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**

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;
- it may be observed that in 2022 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.

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, 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 organizational 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 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.

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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 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 in terms of size or characteristics;
- the transactions undertaken were also compliant with the law and the Articles of Association and not in potential conflict with the resolutions passed by the Shareholders' Meeting, or such as to jeopardise the Company's capital integrity;
- we acquired knowledge of and oversaw, insofar as within our remit, the adequacy of the organisational structure and the functioning of the administrative-accounting system, as well as the reliability of said system in representing the operating events correctly. To this end, we obtained information from the heads of functions and examined company documents and, in this regard, we have no particular observations to report;
- 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;
- no complaints were received pursuant to Article 2408 of the Italian Civil Code.

#### **Remarks and proposals concerning the Financial Statements and their approval**

The draft Financial Statements for the year ended 31 December 2022 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 remarks, 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 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

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measured in accordance with Article 2426 of the Italian Civil Code;

- the Notes include the content specified in Article 2427 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;

- 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;

- we obtained information by the supervisory body and no critical issues emerged with regard to the organisational model that would required mention in this Report;

- 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 2022 is positive at €68,845,115.

#### **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 2022,

as drafted, as well as of the allocation of the net profit for the year, as submitted to you by the administrative body.

Turin, 12 April 2023

THE BOARD OF STATUTORY AUDITORS

(Gianluca FERRERO)

(Angelo GILARDI)

(Alessandro FORTE)



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# INDEPENDENT AUDITORS' REPORT



## Luigi Lavazza S.p.A.

Financial statements as of December 31, 2022

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

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, 2022, the statement of profit or loss 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, 2022, 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.

## 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, 2022, 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, 2022 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, 2022 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 12, 2023

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.*

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Registered and administrative offices:

Via Bologna 32 – 10152 Turin – Italy

Subscribed and fully paid-up capital: €25,090,000

Tax code and registration No. at the Turin Register of Companies: 00470550013

**PREPARED BY**

Financial Reporting & Accounting

**EDITORIAL SUPPORT**

Corporate Communication

**GRAPHIC CONCEPT AND DESIGN**

BeStudio

**TRANSLATED BY**

Koinè - Trieste



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