

ANNUAL REPORT



LAVAZZA GROUP

ANNUAL REPORT
2023

LAVAZZA GROUP

This Annual Report has been translated into English for the convenience of international readers.
In the event of discrepancy, the Italian version shall prevail.

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COMPANY OFFICERS

BOARD OF DIRECTORS

Giuseppe	Lavazza	Chairman
Marco	Lavazza	Vice Chairman
Alberto	Lavazza	Honorary Chairman
Antonio	Baravalle	Chief Executive Officer
Antonella	Lavazza	Directors
Francesca	Lavazza	
Manuela	Lavazza	
Enrico	Cavatorta	
Silvia	Candiani	
Robert	Kunze-Concewitz	
Nunzio	Pulvirenti	
Roberto	Spada	
Daniel	Winteler	

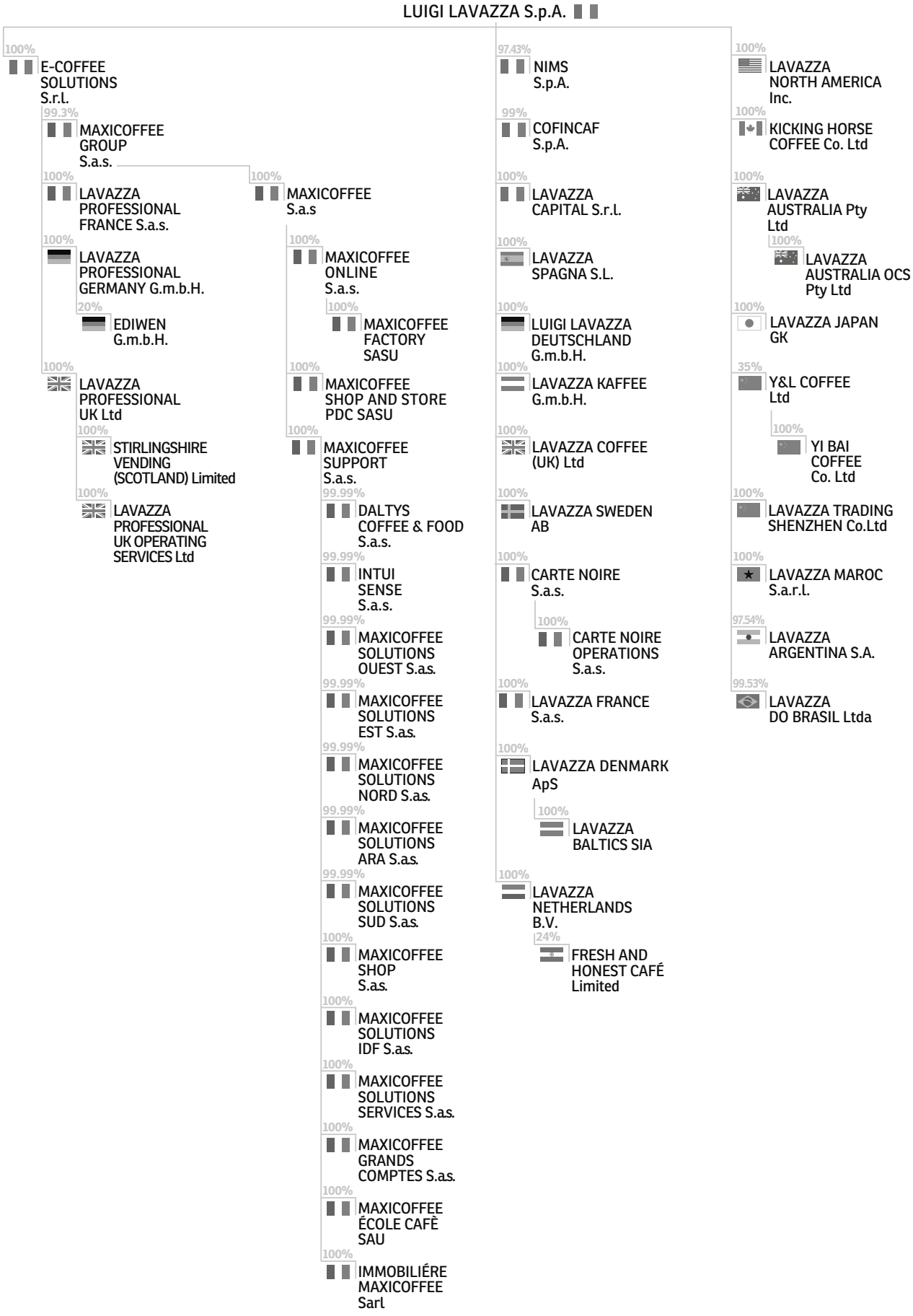
BOARD OF STATUTORY AUDITORS

Gianluca	Ferrero	Chairman
Angelo	Gilardi	Statutory Auditors
Alessandro	Forte	

INDEPENDENT AUDITORS

EY S.p.A.

GROUP STRUCTURE



LETTER TO SHAREHOLDERS

Dear Shareholders,

The financial year ended 31 December 2023 — the year in which I took up the baton from former Chairman and current Honorary Chairman Alberto Lavazza — closed with a Group's consolidated result of €67,867 thousand based on the IFRS and with Luigi Lavazza S.p.A.'s positive result of €39,584 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.

In the year just ended, the Group faced significant challenges: like in the previous year, 2023 was also characterised by rising costs, especially with regard to green coffee prices, which remained extremely high for both Arabica and Robusta, peaking at nearly $3,200 per tonne during the year. Despite the complex economic context, the Group reported €3.069 billion revenues, up 13% on 2022.

As was foreseeable, the record inflation levels reached in all markets eroded — and are still eroding — consumers' purchasing power. This significantly impacted volumes, which resulted in an approximately 3% decline in the coffee market in the 2023 January-December period.
Despite these difficulties, the Group remained committed to protecting consumers by maintaining an affordable pricing strategy to ensure constant market penetration and retain its customer base, while continuing to invest to guarantee long-term prospects. Inflationary pressures were triggered by a macroeconomic scenario that remained highly uncertain, which was not followed by a rapid, significant decline in green coffee prices. Accordingly, the Group implemented a cost recovery plan to face this challenge through a strategy aimed to optimise internal resources, while ensuring efficient cost management and preserving the Company's financial solidity in a complex economic context.

The Group continued and will continue to invest to ensure long-term prospects. The acquisition of MaxiCoffee in France, which contributed to strengthening the Company's international footprint, is a tangible example of this. The French company targets both private customers and commercial businesses through its e-commerce platform, a network of 60 commercial agencies throughout France, its *Écoles du Café* and its Concept Stores. The platform offers a variety of 8,000 products from more than 350 different coffee brands (beans, ground and capsules) and a wide range of coffee machines, coffee makers, grinders and accessories. The acquisition of MaxiCoffee marked a major milestone for the Lavazza Group, which is committed to pursuing its development process through strategic investments.

With a constant eye to the future, the Group has decided to dedicate particular attention to People wellbeing, as shown, among other factors, by the 2023 salary revision in response to inflation. This support aims not only to ensure an appropriate compensation, but also to strengthen the Company's cohesiveness and its commitment to creating a gratifying work environment. The Group believes that People wellbeing is key to the long-term success of the Company and will continue to invest in human resources in order to promote a positive, productive work environment.

The year 2023 also saw the organization of the Group's first GapFree Days, which delve into the key messages of our D&I Manifesto and our Diversity, Equity and Inclusion goals, in order to reinforce our commitment to creating an increasingly inclusive workplace at all Lavazza Group companies.

The planned sustainability activities also continued, and the first "Center for Circular Economy in Coffee" was inaugurated. The Center is designed to support and promote the circular economy principles, accelerate sustainable transition and foster innovation in the coffee world.

Our Group reconfirms that the governance system applied in its operations has proven effective in rising to the year's challenges and discontinuities, progressively aligning to the practices adopted by listed companies, while maintaining the medium-to-long-term vision of a family business and the desire to continue both its organic growth and its growth through strategic partnerships and targeted acquisitions.

The Chairman of the Board of Directors

Giuseppe Lavazza

1



DIRECTORS' SINGLE REPORT ON OPERATIONS

GROUP HIGHLIGHTS

GROUP'S RESULT FOR THE YEAR

The following table shows the Group's operating and financial highlights at 31 December 2023 compared with the previous year:

€ million	**2023**	**RATIO %**	**2022**	**RATIO %**
NET REVENUES	3,068.9	100.0%	2,715.5	100.0%
EBIT	96.8	3.2%	159.6	5.9%
EBITDA	263.0	8.6%	309.1	11.4%
ADJUSTED EBITDA (before non-recurring items)	268.7	8.8%	311.1	11.5%
PROFIT FOR THE YEAR	67.9	2.2%	94.6	3.5%
CAPEX	134.9		123.7	
NET FINANCIAL POSITION	291.8		(135.7)	
EQUITY ATTRIBUTABLE TO THE GROUP	2,587.5		2,579.2	
HEADCOUNT AT 31/12	5,635		4,198	

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 Group is among the major players in the global coffee arena, with a product portfolio including leading brands on reference markets such as Lavazza, Carte Noire, Merrild and Kicking Horse. It operates in 140 markets — across all business segments — with 8 production plants in 5 countries and over 5,500 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.

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 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 that serves as a guide for continuing to offer superior quality coffee.

140
COUNTRIES

+5,500
PEOPLE

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 of 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 its business areas. While working on publication of the Group's Sustainability Manifesto, this process led to the identification of four of the 17 Sustainable Development Goals (SDGs) set in the United Nations 2030 Agenda and to the participation in the UN Global Compact. The SDGs identified are (i) *Goal 5: Gender Equality*, (ii) *Goal 8: Decent Work and Economic Growth*, (iii) *Goal 12: Responsible Consumption and Production*, *and* (iv) *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 framework for sustainability performance reporting — 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 UN 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 priority SDGs for the Lavazza Group.
In fact, the Group continued to support communities — and in particular the most vulnerable segments of society — and 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, with which the Group has partnered for 20 years, and Oxfam. In 2023, the Lavazza Group joined the Child Labour Platform, an initiative promoted by the International Labour Organization (ILO) that brings together businesses, governments and NGOs to eradicate child labour in supply chains.

4 GOALS

GOAL 5
GENDER EQUALITY

GOAL 8
DECENT WORK AND ECONOMIC GROWTH

GOAL 12
RESPONSIBLE CONSUMPTION AND PRODUCTION

GOAL 13
CLIMATE ACTION

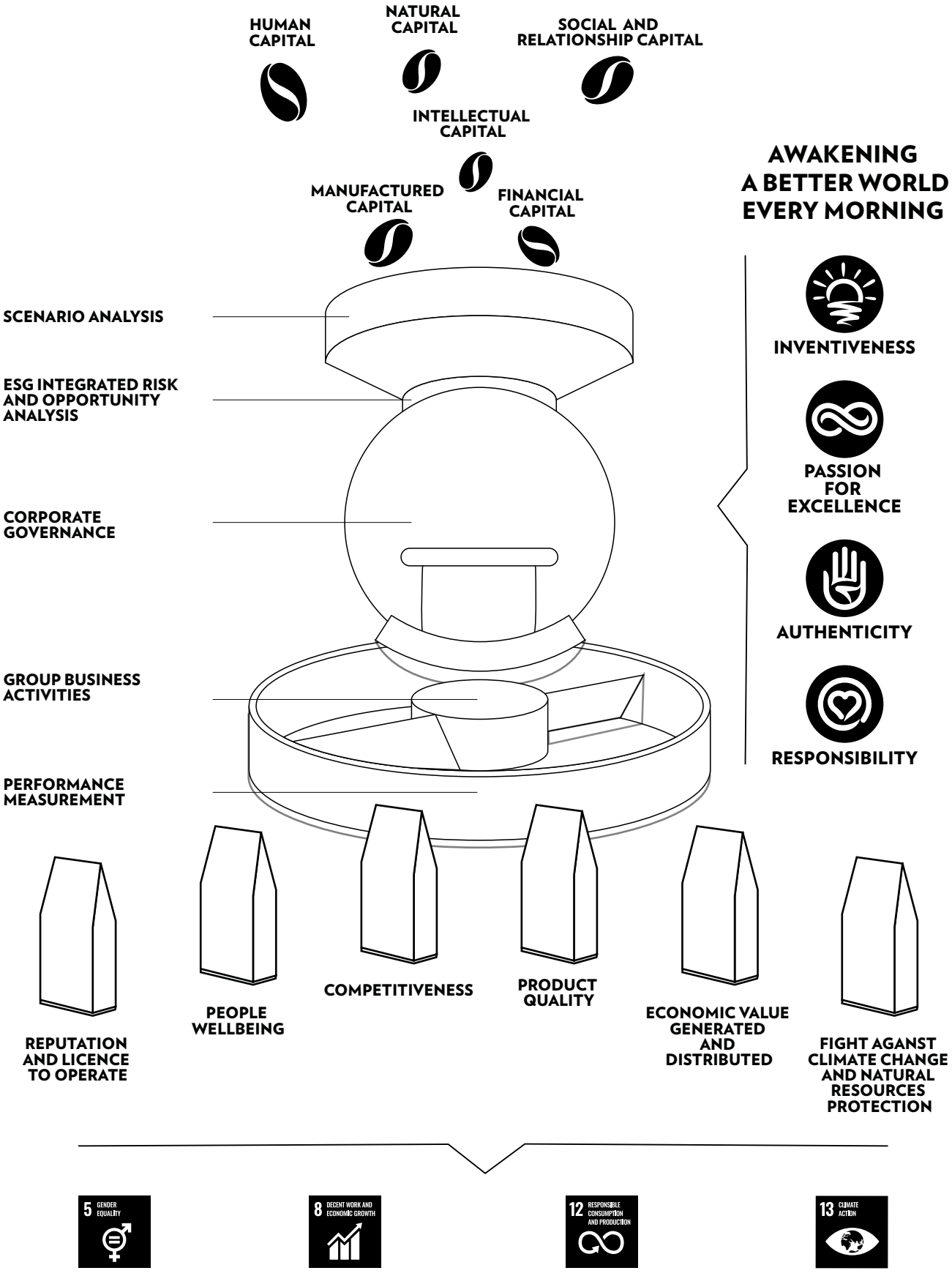
The supply chain risk monitoring process, managed through the EcoVadis platform, took the concrete form of ethical and social audits conducted on suppliers deemed at greatest risk according to the EcoVadis assessment and in terms of the supplier' strategic nature and the dependence on it.
The Group's commitment to protecting human rights throughout the supply chain is reflected in several formal documents and policies, including the Code of Ethics, "Our Commitment to Human Rights" and "Our Commitment to Children's Rights".

The Group supports the non-profit Giuseppe and Pericle Lavazza Foundation, established in 2004 to coordinate and develop sustainability projects, 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. In 2023, for the purpose of clearly disclosing the performance and activities carried out by the Foundation and aligning with the rules relating to third sector entities, the first Social Report was published detailing 2022 projects. The document was prepared according to the Guidelines for the Preparation of the Social Report of Third Sector Entities — contained in the Decree of the Italian Minister for Employment and Social Policies of 4 July 2019.

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 produces short- and medium-term outputs that generate ensuing outcomes in the long term. Outputs and outcomes are monitored through dedicated action plans and specific indicators managed by the various company departments.

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".


HUMAN CAPITAL
NATURAL CAPITAL
SOCIAL AND RELATIONSHIP CAPITAL
INTELLECTUAL CAPITAL
MANUFACTURED CAPITAL
FINANCIAL CAPITAL
AWAKENING A BETTER WORLD EVERY MORNING
SCENARIO ANALYSIS
ESG INTEGRATED RISK AND OPPORTUNITY ANALYSIS
CORPORATE GOVERNANCE
GROUP BUSINESS ACTIVITIES
PERFORMANCE MEASUREMENT
INVENTIVENESS
PASSION FOR EXCELLENCE
AUTHENTICITY
RESPONSIBILITY
REPUTATION AND LICENCE TO OPERATE
PEOPLE WELLBEING
COMPETITIVENESS
PRODUCT QUALITY
ECONOMIC VALUE GENERATED AND DISTRIBUTED
FIGHT AGANST CLIMATE CHANGE AND NATURAL RESOURCES PROTECTION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

CAPITAL	INPUT	OUTPUT	OUTCOME
Social and Relationship Capital	The Group's social and relationship capital is based on its extensive presence on working tables and in **key coffee associations**, such as the International Coffee Organization, World Coffee Research and the European Coffee Federation. Active participation in **pre-competitive networks** 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 dense **network of NGOs, civil society associations and public entities** that makes it possible to meet the needs at local level.	Constant openness to dialogue and stakeholder collaboration allows the Group to build **solid, lasting relationships**, while maintaining its **operating legitimacy**. The pre-competitive approach to strategic partnerships allows Lavazza to engage in **dialogue with institutions**, thus giving the sector a common voice. A close focus on green coffee producers allows Lavazza to establish relationships that help increase its **control of the supply chain** and of its impacts. Moreover, constant support for local communities implemented within the Group's Community Care program translates into the planning of **sustainable development projects**, which reach an ever-larger number of beneficiaries.	The sustainable development projects promoted by the Group through the non-profit Giuseppe and Pericle Lavazza Foundation invest in **capacity building for the local communities** where the Group operates and its suppliers are located, strengthening **entrepreneurship among small coffee growers** and the role of women throughout its supply chain. A constant presence on the main international working tables in the coffee sector ensures that the Group **monitors any regulatory changes.**
Human Capital	The Lavazza community is made of direct **employees** and independent contractors, who together contribute to the Company's success. The combination of the various types of **knowledge and competencies** offered by human resources with a constant investment in **wellbeing** and **training** makes it possible to generate added value for business activity. Lavazza uses its **company values** as a compass that guides its strategic decisions and people management.	Underlying Lavazza's approach is the conviction that a constant focus on people **wellbeing** is directly proportional to **improving company performance**. The Company's commitment to ensuring an inclusive, healthy work 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 **retention** and **talent attraction**.	All the satellite companies linked to 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 economic development of the Country**.

CAPITAL	INPUT	OUTPUT	OUTCOME
Natural Capital	**Green coffee** 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 **biodiversity and preserve the ecosystems of coffee-growing countries**. In addition, the use of **renewable energy sources** 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 high-quality finished product with specific **sensory properties**. For Lavazza, the threat posed by climate change to coffee drives business decisions that integrate **respect for the environment and natural resources**. The implementation of strategies that call for emission reduction and an increasingly efficient use of materials and resources translates into strategic market decisions such as the marketing of products with specific sustainability characteristics like the "La Reserva de Tierra" range, the 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 **quality of life of coffee growers**, while also representing effective **climate change mitigation policies.**
Intellectual Capital	The Group's intellectual capital is a unique heritage of **expertise** relating to the selection, processing and sale of coffee blends. In recent years, it has been enriched by the filing of numerous **patents** also intended to improve the efficiency and sustainability of coffee machines. In addition, the existence of a **set of company policies**, supported by IT systems and 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 **efficiency** of company processes and a drive towards **constant innovation**.	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 creation and **preservation of value** over time and the **competitiveness** of the Group as a whole.

CAPITAL	INPUT	OUTPUT	OUTCOME
Financial Capital	The Group is characterised by a solid financial structure and a thorough net financial position management based on liquidity and lines of credit, thus enabling the continuity of its business and activities. Through the use of **own funds and the reinvestment of profits, financing** 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 mitigation of interest rate, exchange rate and commodity risks 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 **added value**. In pursuit of constant growth, it has formulated a **strategic plan** that calls for **investments** consolidating this process, increasing resilience and profitability and strengthening the Company's positioning with a view to sustainable development. The **internationalisation** drive towards new markets is an investment that translates into successful joint ventures and acquisitions.	The Lavazza Group produces and distributes **wealth for its stakeholders**, 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.

CAPITAL	INPUT	OUTPUT	OUTCOME
Manufactured Capital	To provide a quality product, Lavazza has **eight plants** in six countries, where specific roasting and packaging machinery is used to keep the production process constant and efficient, in addition to its Turin **Headquarters** and an **Innovation Center** devoted to R&D investments and to training coffee quality professionals. Furthermore, thanks to its extensive distribution network, made up of **warehouses and storage centres**, Lavazza distributes its products in over 140 countries, in many of which it operates through direct commercial subsidiaries.	Lavazza ensures the **high quality of its finished products** by complying with strict standards regarding coffee processing procedures, **innovation** and constant maintenance of production machinery. A further drive towards the use of assets compatible with the energy transition 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 **productivity**, **technological progress** and **innovation**.

Brands

The Lavazza Group brings together the global Lavazza brand with the product 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.

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.

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.

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, E-Commerce, Food Service, 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.

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.

E-commerce

In recent years, e-commerce has become increasingly important across all the Group's channels. This growth began with the Covid-19 pandemic, an historic period that had a strong impact on the away-from-home consumption, while also giving rise to considerable growth of at-home sales in the near term, especially online, thus significantly increasing its penetration.
This dynamic had an impact on the food and beverage market in general, and thus on the Lavazza Group.
The new habits adopted by consumers provided a strong boost to this sales channel, including for Lavazza, which was prepared thanks to significant investments made over the years in digital platforms and to the attention paid to improving service in both proprietary and third-party channels.
The Group's strategy calls for offering a full-fledged service: a different way to approach customers and meet their needs, while also exploring new business models such as subscriptions.
In this new scenario, the E-commerce channel consolidated its importance with a significant increase in strategic geographical areas including the United States, the United Kingdom, Germany, France and Italy.
The acquisition, in 2023, of MaxiCoffee — a French Group which targets both private customers and commercial businesses through its e-commerce platform, a network of 60 sales points throughout France, its Concept Stores and several *Écoles du Café* (certified training schools for coffee brewing and roasting techniques) — confirmed the consolidation of the E-commerce business line.
MaxiCoffee has been for some years a reference Phygital Platform in the coffee world.

Food Service

The Lavazza Group provides sector professionals dedicated, tailor-made products and solutions for all service modes and types of coffee preparation. Quality in every cup is ensured making available a vast selection of professional machines, specific service materials and all communication materials, which allow to leverage all aspects of the coffee ritual.
The Lavazza Training Center provides day-to-day support to clients in their activities through training programmes focusing on theory and operational consulting, directly on site, provided by a team of specialists who operate according to the international standards of excellence set by the SCA (Specialty Coffee Association).
In addition to coffee, the range is rounded out by complementary products such as hot chocolate, ginseng and barley beverages, tea, infusions and granitas.

Retailing

The Group has Lavazza-branded proprietary and franchised stores, through which it establishes a direct relationship with the end 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 a 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 122 points of sale opened in 2023. Today, the joint venture also aims to distribute and market Lavazza's retail products, thus becoming the Group's exclusive distributor in mainland China.
Since 2023, MaxiCoffee — operating in the coffee sector in France through stores, concept stores and training schools — has also contributed to the Group's retailing channel.

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, including through several acquisitions: the Group acquired, among others, Lavazza Professional, with the Flavia and Klix systems available in Europe, North America and Japan; Nims, an Italian company specialised in the distribution of capsules and espresso coffee machines for domestic use; and MaxiCoffee, a French company operating in the coffee world through a network of 60 commercial agencies.

- ***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, featuring the characteristic Freshpack technology, designed to prevent cross-contamination between brews; and Lavazza Expert — designed for the North American market — which offers espresso, filter coffee and milk-based beverages. The supply and support service is 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 and Klix brands.

GENERAL PERFORMANCE AND MARKET SCENARIO

In 2023, the global economy responded better than expected to the numerous unforeseen events of previous years, owing to various factors: the surprising robustness of US growth, the lower-than-expected slowdown in the Eurozone, and the recovery of the Chinese economy, which, though less robust than projected, still triggered an acceleration on the previous year.

Although the main institutions had forecast that the United States would weaken in 2023, the country has shown considerable resilience, avoiding a recession thanks to the positive effect on consumption generated by the robustness of the job market and the recovery of real incomes. At the same time, tensions on the job market normalised and inflationary pressures abated, allowing the Fed to announce, at the end of the year, that its monetary tightening, which had gone on throughout the first seven months of the year, would probably come to an end, and to forecast an expansionary change of direction in 2024.

In the Eurozone, concerns of an energy crisis due to the interruption of Russian supply were warded off by measures intended to limit consumption and locate alternative sources and suppliers. While it avoided a recession, the Euro Area's economy stagnated in 2023, suffering from the ECB's monetary tightening, weak global trade and the erosion of real incomes, given that overall prices remained above pre-pandemic levels and aggregate salary growth has thus far proven inadequate to making up for this difference.
In Europe, inflation declined considerably from the levels seen in the previous year, closing the year at around 3% thanks to the fall in energy prices and the cooling off of the other components. After increasing the cost of money by a further 200 basis points to 4.5% over the first nine months of the year, the highest level since the beginning of the century, the ECB announced that it was satisfied with the level of restriction achieved. Yet, in contrast to the Fed, it refrained from prospecting rate cuts in the near future, citing concerns of a resurgence of inflationary pressures.

The recovery of the Chinese economy proved less robust than expected, despite the lifting of pandemic containment measures by central authorities. In particular, the magnitude of the recovery was limited by persistent weakness in the real estate market, which in turn is capable of undermining business and household confidence and thus inhibiting related consumption and investment. In spite of the fluctuating performance of the economy, central authorities have thus far refrained from taking large-scale action, as they had in the past, instead opting for a tailored approach to support sectors deemed strategic, without giving rise to the speculative excesses of the past.

Albeit in a scenario that overall has been less negative than feared at the end of 2022, the current year has not been without its shocks and significant events. In the spring, crises broke out at three US regional banks (Silicon Valley Bank, Signature Bank and First Republic Bank) and at the Swiss Credit Suisse: fortunately for the stability of the global financial system, these proved to be isolated cases, and the prompt, effective measures taken by authorities averted more severe problems at a systemic level.
On the geopolitical front, the Hamas attack on Israel on 7 October triggered an intense military response from the Jewish state, sparking a new war front, in addition to the persistent conflict between Russia and Ukraine, which nearly two years after it began has not yet produced sufficient results to bring the parties to the peace negotiation table.
The war between Israel and Hamas directly gave rise to the Red Sea crisis, a sharp deterioration of international security in which for months Houthi militants from Yemen, in response to Israel's war in Gaza, have been launching attacks on the merchant ships that travel this route. As a result, an increasing number of cargo vessels is avoiding this route, instead preferring to circumnavigate Africa to reach Europe, with a direct impact on transport costs, which have risen sharply.
The growing tensions have swelled the risk of new upwards inflationary pressures, with impacts also on the prices of food and agriculture products. This is because the Red Sea is a crucial shipping lane for energy commodities (particularly petrol and liquefied natural gas), as well as for cargo in general.

INDUSTRY OVERVIEW

GROUP POSITIONING

RETAIL

In 2023, the market scenario continued to remain extremely complex, partially in line with 2022.
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 due to the swift recovery of consumption and post-lockdown demand. In the coffee market in particular, Robusta reached its peak of the last 28 years, narrowing the gap with Arabica, which saw instead broad fluctuations, although remaining still far from pre-pandemic values. The business confidence index in OECD countries generally continued to fall throughout the year, while consumer confidence, after an initial reversal of direction in the first few months, declined again in the second half of the year.
Mass retail was also severely impacted by rising costs and reacted differently by store chain and geographical area: to protect consumers' purchasing power, some impeded suppliers' increases or proposed decreases to their price lists, rendering negotiations more complex to the benefit of alternative private label products; others sought to recoup profitability to cover cost increases in the near term, with a further impact on end consumer prices.

In this context of high inflation and in keeping with 2022, the retail coffee market, in the 14 largest geographical areas for the Group, reported a 3.5% decline by volume compared to the beginning of the year, offset by inflation by value (+4.4%).
The Lavazza Group outperformed the market at large by volume and by value, gaining 0.2 and 0.3 points of market share globally, respectively. The segments in which the Lavazza Group performed best by volume were Whole-bean Coffee and Compatible Capsules, with an increase in total market share of 0.7 and 1.4 percentage points, respectively.
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 France, where the Group is the market leader in the premium Filter Arabica segment, which was among the most impacted by inflation. 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 Belgium (+0.5 points), Germany (+0.4 points), Eastern Europe (Poland/Hungary +0.5/0.7 points, respectively), and Italy, where Lavazza confirmed its position as industry leader with a penetration further increasing by 0.03pps reaching approximately 50% of Italian households.

E-COMMERCE

In 2023, home-delivery and click&collect services offered by traditional retailers resumed growth. By contrast, 2022 had reported a decrease, chiefly due to the easing of the restrictions imposed in the various geographical areas to cope with the pandemic, which had fostered a return to the purchasing habits in brick-and-mortar channels. This signal confirmed that retailers are continuing to invest in digitalising their services to satisfy new purchasing habits.
The growth of online purchases on pure online platforms remained robust and constant, although the quick commerce model is undergoing a period of stabilisation with business combinations among the main players and shutdowns of services in some markets.
The acceleration of online purchasing behaviour witnessed during the pandemic period proved solid and may therefore be regarded as structural. Expectations thus remain positive also for the coming years.
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, the UK and France.

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)

In 2023, consumption trends in the Food Service channel confirmed the recovery in the business performance that, following the severe impact seen in the 2020-2021 two-year period, progressively returned to pre-pandemic levels (+3% by volume in 2023 compared to 2019).
Lavazza's performance in the Away From Home channel was driven by a robust market recovery across all segments. Specifically, the hospitality, restaurant and café sectors returned to pre-pandemic levels in nearly all geographical areas, due in part to the adjustment of consumer prices. By contrast, the travel sector continued to show signs of difficulty, above all in the corporate travel component.
In terms of geographical areas, distributor countries contributed more to the channel's full recovery and the achievement of pre-pandemic volumes thanks to increasingly extensive activities at local level. Specifically, the geographical areas of Central Europe/Balkans recorded +50% 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 +70% compared to 2019. Eastern Europe instead bucked the trend, suffering from the negative effect of the geopolitical conflict.
Italy — first business unit by volume — was unable to bridge the gap formed in the 2020-2022 three-year period, thus remaining below its 2019 performances. By contrast, France and the United States succeeded in exceeding their 2019 levels thanks to a highly resilient market.
Within this scenario of a progressive return to normality, the Food Service channel devoted itself to designing medium-to-long-term strategic initiatives to increase the business value, such as focusing on high-margin markets (North America), recouping profitability, including through strategies for optimising the RTM in low-margin markets, and enhancing the portfolio and brand equity in strategic markets.

OCS/Vending

The reversal of the consumption trend in the OCS/Vending market that had begun in 2021 consolidated in 2023: it recovered slowly and steadily after the severe impact caused by the pandemic and the consequent restrictions applied at the global level.
In the last 18 months, several structural changes in consumers' life habits were confirmed, above all with regard to the alternation of home and work habits, which impacted the channel's trends. For example:

- expanded, incentivised application of agile working policies that resulted in a 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 led to an office occupancy rate reduction (-25% compared to the pre-pandemic period in Europe and Asia and -50% in the Americas).
Within this difficult context, the Group was nonetheless able to return to consumption levels in line with 2019 overall (approximately 3.7 billion cups), 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 2023, confirming the growth trend that had begun 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.

SIGNIFICANT EVENTS IN THE YEAR

In 2023, 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 January 2023, the Group completed the sale of its majority interest in Fresh and Honest Café Limited to Culinary Brands. Fresh and Honest Café Limited 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 will be the exclusive distributor of the Lavazza brand in India.

In March 2023, the Lavazza Group completed the acquisition of the French MaxiCoffee Group operating in the coffee sector. 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 (whole beans, ground and capsules) and a wide range of espresso coffee machines, coffee makers, grinders and accessories.

MAXICOFFEE

350
BRANDS

8,000
PRODUCTS

In December 2023, the Lavazza Group completed the acquisition of the Scotland-based Stirlingshire Vending, a company with over 60 years of history that provides vending and office coffee machine services and micro markets throughout Scotland.

In 2023, the Lavazza Group grew also in China, through its partnership with Yum China, launched in 2020. The number of the Lavazza Coffee Shops almost doubled, closing the year with 122 stores opened. The growth of the Lavazza Coffee Shops was driven by a strong focus on quality and marketing activities that enabled an increase in the Lavazza brand awareness, including the exclusive launch of a special blend, "Icone d'Italia", to offer consumers the experience of authentic Italian espresso.

PARTNERSHIP WITH YUM CHINA

122
STORES
IN CHINA

Aware that sustainability has now become an integral part of daily life, in 2023 the Group continued to support its ¡Tierra! brand, the perfect combination of excellence in taste and sustainability. Through ¡Tierra!, Lavazza describes the projects of the Lavazza Foundation and its commitment to the coffee-growing communities, with the aim of promoting good agricultural practices, protecting the environment and supporting the economic and social development of the communities involved. ¡Tierra! is also the starring product of the "Blend for Better" communication strategy, which illustrates Lavazza's commitment to environmental, economic and social sustainability.

In pursuit of these same objectives, during the year several initiatives were launched:

¡MARTE! FOR ANOTHER PLANET

World Earth Day was an opportunity to make a contribution to raising awareness of the issues related to the day itself, with a particular focus on sustainability, highlighting how one of the many commitments taken forward by the Lavazza Foundation concerns the teaching of innovative cultivation techniques to coffee producers.
The Campaign therefore focused on the importance of taking care of our planet, the only one with coffee, before thinking about exploring others.

INTERNATIONAL COFFEE DAY

In 2023, Lavazza decided to celebrate International Coffee Day by focusing on the concept of "rituals" and all the meanings that the simple act of drinking a coffee can assume. In fact, communications were based on three mini-stories of everyday life and the meanings that can be hidden behind the "Would you like a cup coffee?" question. This is how coffee becomes a common thread in everyone's life, marking important moments and representing friendship, love, but also social payback, as is the case with the "A Cup of Learning" programme.

2024 CALENDAR

The values shared by Lavazza and its Foundation take shape in the 2024 Calendar entitled “More than Us”, which in 2023 celebrated an intertwining of talents, stories and experiences. This is an artistic project in which the different voices of three renowned photographers — Daniel Obasi, Thandiwe Muriu and Aart Verrips — come together in harmony inspired by the beauty of Africa, the birthplace of coffee. Together, they contribute to this "More Than Us" concept, enhancing the fascination of cross-influences and of sharing: an approach at the heart of the values promoted by the Lavazza Foundation.



Photo by Thandiwe Muriu, Lavazza Calendar 2024 “More than Us”

L'ITALIA CHE VORREI

In 2023, an all-round campaign featuring the Qualità Rossa range was launched in Italy: Lavazza tells the story of the country we live in and the future we dream of for the next generations. "Qualità Rossa L'Italia Che Vorrei" celebrates a fair, free and just Italy. The project was supported by three illustrious artists from the contemporary music scene – Elodie, Marracash and Levante, ambassadors of Lavazza's message of inclusivity and tolerance.

The "L'Italia Che Vorrei" project also took central stage in a special episode of Basement Café, a Lavazza format created in 2018 and now in its fifth year, in which the theme of freedom was further explored thanks to the extraordinary participation of Elodie Patrizi, Roberto Saviano and Carlotta Vagnoli.

Through this project, Lavazza enabled 1,000 attending fans and streaming audience to win exclusive live sessions by Marracash, Levante and Elodie in Turin, Bologna and Rome. Three unique events in which Lavazza Qualità Rossa gave life to a direct dialogue between fans, artists and the brand with pre-show moments, such as DJ sets, beauty bars with make-up and tattoos sessions linked to the campaign's messages, drink lists with Coffeetails dedicated to the artists, and the possibility, for a lucky few, to chat with the artist in the pre-concert meet&greet.

In addition, in line with Qualità Rossa values and messages, the collaboration between Lavazza and Save the Children led to a concrete commitment aimed at the boys and girls of CivicoZero: the creation of a ""Basement Room" in the Rome and Turin offices dedicated to the creation of podcasts, where the foreign adolescents who attend the centre can express themselves, gain self-confidence and have at their disposal the tools to find their place in a fair, just and free Italy.

QUALITÀ ROSSA CAMPAIGN

L'ITALIA CHE VORREI

UNA NOTTE A TORINO

Over the course of the year, in order to reinforce the storytelling of the link between Lavazza and Turin, as the birthplace of espresso, "Una Notte a Torino" was created in collaboration with Sky: a branded content that made it possible to tell the story of the brand, its association with espresso and its deepest roots, exploiting the power of cinematographic language in an original and innovative way, involving well-known actors and influencers such as Paola Buratto, Matteo Paolillo and Valeria Angione.

TOP GASTRONOMY

While it is true that Top Gastronomy has historically always been an important area for supporting the brand's excellence, in 2023 Lavazza decided to further strengthen this bond, reinterpreting it in a fresher and more contemporary way, with the aim of also speaking to a younger target audience.
With this in mind, the attention to sustainability, understood both in an environmental and social sense, people enhancement and the authenticity of the stories told were the leitmotif of the projects developed during the year.
With the "La Prima Volta" hero project, a five-episode docu-series created in collaboration with Tuorlo, a video-based digital food magazine, it was decided to give space to the story and dream of a young emerging chef, Tommaso Zoboli, accompanying him in the lead-up to the opening of his first restaurant. To do this, Lavazza provided Tommaso with the valuable support of a number of Top Chef Ambassadors (Ferran Adrià and Davide Oldani), who were given the role of mentors to the younger generations.

THE GREAT TENNIS

In 2023, Lavazza once again strengthened its link with the world of tennis to continue to support the brand's international growth. During this season, Lavazza achieved extraordinary results by bringing the experience of authentic Italian espresso to more than 2 million people and setting new records at all the tournaments sponsored by the brand (the Grand Slam, Rolex Shanghai Master and Nitto Atp Finals tournaments).
The tournaments were an opportunity to reiterate Lavazza's commitment to sustainability, always at the heart of its corporate strategy, serving coffee and tennis enthusiasts La Reserva de ¡Tierra! Cuba at Roland-Garros and La Reserva de Tierra! Colombia at Wimbledon.
Lavazza's experience in the world of tennis did not end here: in 2023, Lavazza was also Prestige Sponsor of the Rolex Shanghai Masters, the only tennis Masters 1000 in Asia that took place in Shanghai from 4 to 15 October 2023. Thanks to this partnership, which will last until 2025, Lavazza, as the only coffee brand in the tournament, brings the authentic experience of Italian coffee to China, forging ahead with its strategic path of consolidation and positioning in the Chinese market.
The great tennis season ended with the Nitto ATP Finals, where Lavazza "played at home" as a Platinum Partner, re-proposing its Tiny Eco, together with the ¡Tierra! Bio-Organic compostable capsules. In 2023, Lavazza took to the court together with its brand ambassador Jannik Sinner, the first Italian tennis player to be a finalist at the ATP Finals, who played a leading role in the Home of Masters campaign, the new clubhouse powered by Lavazza A Modo Mio that hosted the masters of tennis and in-cup excellence.

REAL ESTATE

During the year, in the industrial area the installation of a sophisticated fire detection and extinguishing and video surveillance system was completed to protect the building in Strada Settimo 390. At the end of the year, the industrial property in Baranzate, which had already been leased to third parties in recent years, was sold for approximately €5 million.

In 2023, the electrification of additional 85 parking spaces at the Nuvola offices and in the Innovation Center car park was completed for a total of 155, in line with the project to convert a large part of the company fleet from endothermic to electric or hybrid engines.

At the international level, the year saw the completion of the new Lavazza Kaffee headquarters in Vienna, Lavazza Australia's transfer to a new, larger office space in Melbourne, the creation of a new Training Center at Lavazza Professional Germany's headquarters in Verden and a new Training Center for Lavazza North America in Chicago.
It should also be noted that during the year the subsidiary Carte Noire closed its coffee shop in Lyon.

INDUSTRIAL INVESTMENTS

Industrial investments in Italian plants decreased compared to 2022. The year 2023 marked a transition that reflected the significant outlay made previous years, especially to increase the capacities in the whole-bean sector.

In the Turin plant, the expansion and start of production of the whole-bean coffee production lines were completed for the Roast & Ground segment through optimisation of the current roasting machine inventory and installation of a new high-capacity line for the production of packaged coffee beans.

At the Lavérune plant, the expansion was completed of the finished product warehouse, packaging warehouse and loading bays. For both plants, investments continued in order to adapt and replace the packaging lines for the use of recyclable materials. A series of activities were also implemented to ensure respect for the environment and increased workplace safety.

Significant investments were made at all the plants for upgrading the existing technologies of manufacturing and industrial processes, in particular with reference to IOT industrial networks (introduction of sensors on cloud-connected roasters), Big Data management, robotics and automation (Industry 4.0). Collaborative robots were specifically activated on lines for automatic loading of materials used in production, in addition to having all the production plant systems interconnected.

As regards environmental impact, 100% of the electricity used by the Italian, French, Canadian and English plants is powered by renewable sources. Since 2020, the reduction activities, along with the offsetting process, have resulted in the neutralisation of Scope 1 and Scope 2 emissions, i.e., direct and indirect emissions from electricity, associated with the activities of the Lavazza Group companies. In 2023, the Group continued to pursue its commitment to reducing and gradually offsetting indirect Scope 3 emissions, i.e., those due to activities throughout the value chain 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.

FINANCIAL PERFORMANCE OF THE LAVAZZA GROUP

In 2023, the Lavazza Group faced significant challenges: in continuity with the previous year, 2023 was also a year characterised by rising costs, above all with regard to green coffee, the prices of which remain extremely high for both Arabica and Robusta, which reached its all-time high of nearly $3,200 per tonne during the year.
Within an economic scenario that presents such complexities, due in part to the general global macroeconomic and political context, characterised by a risk of recession, persistent inflationary effects on prices and constant geopolitical tensions, the Group achieved a positive operating performance, with a further 13% increase in turnover compared to the previous year, thus setting a new record of over €3 billion. This result was achieved also thanks to the acquisition of the MaxiCoffee Group, which enhanced the Lavazza Group's international footprint, and the policy aimed at protecting both consumers and volumes, continuing to adopt a strategy of accessible prices and limiting price increases by sacrificing margins.

In order to minimise the inflationary impacts on the financial statements to the greatest possible extent, all operating levers relating to working capital and the statement of profit or loss had to be optimised, including promotional and advertising costs (A&P), general and administrative expenses (G&AE), and capital expenditure (CAPEX). This approach resulted in an EBITDA for 2023 positive at €263 million and a slightly negative cash flows generated from operating activities (-€17 million), though improving compared to initial estimates. The main goal is to free up cash resources and guarantee greater liquidity to support the Group's growth and investment initiatives.

Net financial position was negative at €292 million as a result of extraordinary transactions, in particular the acquisition of MaxiCoffee completed at the end of March 2023.

ROBUSTA COFFEE
3,200
$/TONNE

REVENUES AT
OVER
€ **3** BN

CONSOLIDATED OPERATING, CAPITAL AND FINANCIAL SITUATION OF THE LAVAZZA GROUP

Reclassified Statement of Profit or Loss

€ million	YEAR 2023	RATIO %	YEAR 2022	RATIO %	CHANGE	% CHANGE
Net revenues	3,068.9	100.0%	2,715.5	100.0%	353.4	13.0%
Cost of sales	(2,163.6)	-70.5%	(1,794.8)	-66.1%	(368.8)	20.5%
GROSS PROFIT	**905.3**	**29.5%**	**920.7**	**33.9%**	**(15.4)**	**-1.7%**
Promotional and advertising costs	(177.2)	-5.8%	(212.0)	-7.8%	34.8	-16.4%
Selling costs	(263.1)	-8.6%	(203.2)	-7.5%	(59.9)	29.5%
General and administrative expenses	(325.7)	-10.6%	(287.9)	-10.6%	(37.8)	13.1%
Research and development costs	(15.3)	-0.5%	(16.6)	-0.6%	1.3	-7.8%
Other operating income/(expense)	(14.0)	-0.5%	(28.1)	-1.0%	14.1	-50.2%
Non-recurring income/(expense)	(5.7)	-0.2%	(2.0)	-0.1%	(3.7)	185.0%
Income/(losses) for investments in JVs and associated	(7.5)	-0.2%	(11.3)	-0.4%	3.8	-33.6%
EBIT	**96.8**	**3.2%**	**159.6**	**5.9%**	**(62.8)**	**-39.3%**
of which amortisation and depreciation	(166.2)	-5.4%	(149.5)	-5.5%	(16.7)	11.2%
of which EBITDA	**263.0**	**8.6%**	**309.1**	**11.4%**	**(46.1)**	**-14.9%**
Financial income/(expense)	(9.9)	-0.3%	(40.5)	-1.5%	30.6	-75.6%
Dividends	0.5	0.0%	0.9	0.0%	(0.4)	-44.4%
PROFIT BEFORE TAXES	**87.4**	**2.8%**	**120.0**	**4.4%**	**(32.6)**	**-27.2%**
Income taxes for the year	(19.5)	-0.6%	(25.4)	-0.9%	5.9	-23.2%
PROFIT FROM CONTINUING OPERATIONS	**67.9**	**2.2%**	**94.6**	**3.5%**	**(26.7)**	**-28.2%**
PROFIT/(LOSS) FOR THE YEAR	**67.9**	**2.2%**	**94.6**	**3.5%**	**(26.7)**	**-28.2%**
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**0.1**	**0.0%**	**0.1**	**0.0%**	**-**	**0.0%**
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**67.8**	**2.2%**	**94.5**	**3.5%**	**(26.7)**	**-28.3%**

In 2023, the Group's revenues amounted to €3,069 million revenues, up 13% compared to 2022. The acquisition of MaxiCoffee contributed to this result, strengthening the Lavazza Group's international footprint.

Net of royalties, turnover totalled €3,013 million, with an 11% increase compared to 2022.
Royalties (€56 million) related to amounts paid in connection with the placement of vending machines at the premises of the parties that provide the spaces.

The Group's **EBITDA** was €263 million compared to €309 million for 2022 (-15%), decreasing compared to the previous year. EBITDA margin was 8.6% compared to 11.4% for 2022.
The 2023 EBITDA included the 9-month contribution of the MaxiCoffee Group.

EBIT was €97 million, compared to €160 million for 2022 (-39%), with EBIT margin at 3.2%. As for EBITDA, EBIT declined significantly. This result included the 9-month contribution of the MaxiCoffee Group.

Net profit amounted to €68 million, down compared to €95 million for 2022.
This performance was the result of the positive contribution of the financial component, which was influenced by the favourable effect of the adjustment to the year-end market values of financial securities and higher interest rates that reflected in greater interest income earned on the Group's financial assets and cash and cash equivalents, partially offset by the increase in financial expense, primarily attributable to the increase in financial debts.
The €30 million improvement of the financial component was accompanied by the positive change in income taxes, which declined by €6 million mainly thanks to the lower current taxes of the parent company Luigi Lavazza S.p.A.

Sales performance

Turnover grew both in the At Home and in the Away From Home channels. In particular, e-commerce grew by 28% compared to 2022.
As regards the At Home channel, the sales volume remained stable compared to the previous year (in contrast with the shrinking At Home coffee market compared to 2022), mainly driven by the pricing increase introduced following the rise in raw material costs.
Conversely, the Away From Home channel continued to be driven by the combined effect of growth by volume, though less significant that in 2021 and 2022, and a positive contribution from the pricing increase applied at the end of 2022, the full effect of which was seen in 2023.
The Beans segment continued to grow, confirming itself as the most dynamic on the market in 2023 as well. Taking into consideration the 15 main geographies where the Group operates, the Beans segment rose by 6.6% compared to 2022 and the Lavazza Group's market share grew (+0.2 points) thanks to a 9.1% increase by value compared to 2022. In the Single Serve segment, the Group expanded its market share by +0.4 points thanks to the completion of the launch of the renewed NCC aluminium capsule range, with a growth by value of +15.3% compared to 2022 against a market growth of 3.0% compared to 2022.
At geographical level, the Group reported significant sell-out growth rates by value in the retail channel in all markets, in particular in the United States (+9.8%), Poland (+21%) and the UK (+8.6%). Despite being more mature markets, Italy and France also increased by 6.3% and 5.8%, respectively, compared to 2022.

E-COMMERCE
+28%
COMPARED TO 2022

CAPITAL AND FINANCIAL SITUATION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

€ million	31.12.2023	31.12.2022	CHANGES
Inventories	562	648	(86)
Trade receivables	308	271	37
Trade payables	(338)	(500)	162
Other assets/(liabilities)	(7)	39	(46)
Total net working capital	**525**	**458**	**67**
Property, plant and equipment	616	593	23
Intangible assets	1,692	1,411	281
Right of use	217	157	60
Non-current financial assets	61	35	26
Deferred tax assets/(liabilities)	(34)	(3)	(31)
Provisions	(126)	(166)	40
Provision for employee severance indemnities	(71)	(62)	(9)
Total net fixed assets	**2,355**	**1,967**	**388**
Net assets/(liabilities) held for sales		**20**	**(20)**
TOTAL INVESTED CAPITAL	**2,880**	**2,445**	**435**
Equity	**2,588**	**2,581**	**7**
Financial receivables and other non-current assets	(37)	(58)	21
Current financial assets	(437)	(380)	(57)
Cash and cash equivalents	(200)	(331)	131
Payables to banks and other non-current liabilities	769	413	356
Payables to banks and other current liabilities	197	220	(23)
Total net financial position	**292**	**(136)**	**428**
TOTAL FINANCING SOURCES	**2,880**	**2,445**	**435**

Net working capital amounted to €525 million, up €67 million compared to €458 million at 31 December 2022. This change was attributable to the following factors:

- a reduction in the value of inventories (€86 million), mainly due to lower volumes compared to the previous year as a result of a more disciplined inventory management;
- an increase in trade receivables of €37 million, which was consistent with the turnover expansion;
- a reduction in trade payables of €162 million, attributable to a different approach in the monthly analysis of costs for the provision of goods and services in the last part of the year, with the ensuing decline in the related payables.

Net fixed assets totalled €2,355 million compared to €1,967 million at 31 December 2022.
The change in the year was mainly due to the acquisition of the MaxiCoffee Group.
In particular, at the end of 2023 property, plant and equipment included owned assets arising from the acquisition of the MaxiCoffee Group for €24 million, intangible assets included the effects of the purchase price allocation (PPA) totalling €282 million, mainly allocated to goodwill, trademarks/brand names and other intangible assets, and rights of use included assets acquired on lease by the MaxiCoffee Group for a net carrying amount of €66 million at year-end.

Financial assets rose primarily as a result of the €33 million capital increase in the investment in Y&L Coffee Ltd (joint venture with Yum China) that was partly offset by the impairment loss on the company of approximately €7 million, following the pro-rata recognition of losses.

Provisions for risks and charges decreased, primarily due to the payment of medium- and long-term bonuses and incentives to employees that came due in 2023 and had already been reclassified from non-current provisions to current provisions in the previous year.

Deferred tax assets/liabilities changed primarily owing to deferred tax liabilities of €21 million, recognised following the purchase price allocation for the MaxiCoffee Group and calculated on the fixed assets allocated and subject to depreciation and amortisation.

In the previous year, net assets (liabilities) held for sale had referred to an industrial building owned by Luigi Lavazza S.p.A. for €5 million, sold in December 2023, and to net assets (liabilities) totalling €15 million overall regarding the subsidiary Fresh and Honest Café Limited, 100% controlled at 2022 year-end and of which a 76% interest was sold in January 2023. Assets held for sale of Fresh and Honest Café Limited also included the subsidiary's cash and cash equivalents amounting to €4 million.

RECLASSIFIED STATEMENT OF CASH FLOWS

€ million	YEAR 2023	YEAR 2022
PROFIT FOR THE YEAR	**68**	**95**
Income taxes	20	25
Financial income - expense	14	5
Value adjustments to financial assets and liabilities	(8)	30
Gains - Losses from disposal of assets	-	4
Additions to provisions, employee benefits and other non-monetary components	56	57
Amortisation, depreciation and write-downs	166	152
RESULT ADJUSTED FOR NON-MONETARY COMPONENTS	**316**	**368**
Change in trade receivables	(33)	(13)
Change in inventories	116	(206)
Change in trade payables	(211)	98
Change in other receivables/payables	47	(30)
CASH FLOWS AFTER CHANGES IN NET WORKING CAPITAL	**235**	**217**
Taxes paid	(19)	(60)
Use of provisions and indemnities paid	(85)	(40)
Interest and dividends collected, interest (paid)	(13)	(1)
CASH FLOWS FROM OPERATING ACTIVITIES	**118**	**116**
Purchase of property, plant and equipment	(111)	(102)
Purchase of intangible assets	(24)	(22)
Other changes for investment activities	13	(5)
Acquisitions	(393)	(5)
CASH FLOWS FROM INVESTING ACTIVITIES	**(515)**	**(134)**
Dividends paid	(39)	(43)
CASH FLOWS FROM FINANCING ACTIVITIES	**(39)**	**(43)**
Other scope and non-monetary changes	(10)	**(81)**
Exchange rate effect	18	**(1)**
Cash and cash equvalents classified to assets held for sales	-	**(4)**
CASH FLOWS GENERATED (USED)	**(428)**	**(147)**
Net financial position at year-start	**136**	**283**
Net financial position at year-end	**(292)**	**136**

Net financial position was negative for €292 million compared to a positive €136 million in December 2022.
As evidenced by the graphical analysis below, discretionary cash generation from core activities was negative for €17 million compared to a negative €8 million in 2022.
In detail, the €263 million EBITDA inflows were offset by the €82 million decrease in net working capital, the €135 million net investments in operating activities, taxes and net interest paid (€31 million), as well as the change in provisions and non-monetary components, which had an overall €32 million negative impact on the discretionary cash generation.

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

- investments in property, plant and equipment (€124 million), mainly involving plant, industrial machinery and coffee machines on free loan for use provided to customers or directly used by the Group within the OCS/Vending distribution channel;
- investments in intangible assets (€23 million), primarily due to development costs incurred in order to adapt and implement the Group's software and IT and management systems;

- disposals mainly of property, plant and equipment recognised as a reduction of investments amounting to €12 million, including the disposal of an industrial building owned by Luigi Lavazza S.p.A. sold in December 2023 for an amount of about €5 million.

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

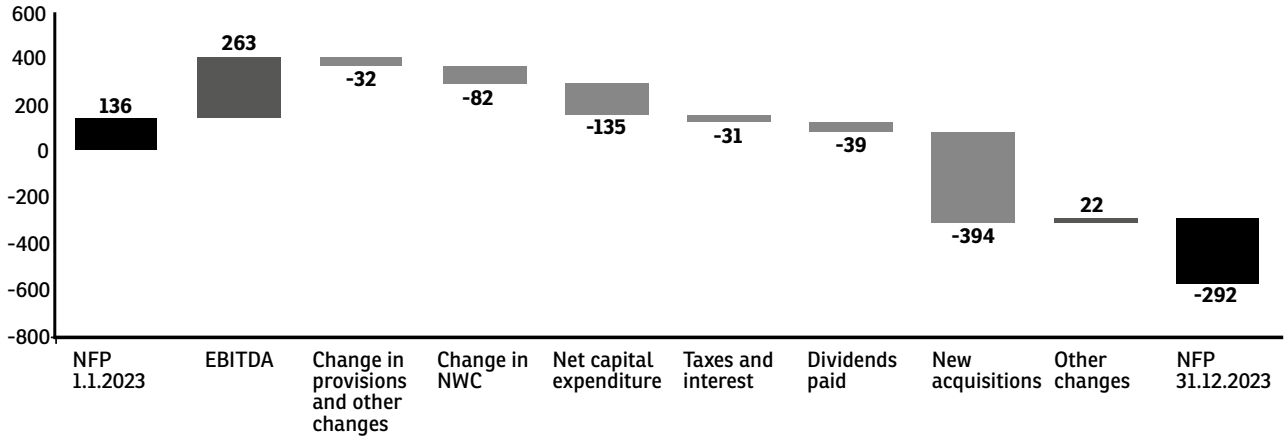
- net acquisitions for €394 million;
- dividend payout for a total of €39 million;
- exchange rate effects and other changes mainly related to financial components (movement of derivatives, effects deriving from the changes in rights of use for third-party assets).

In the previous year, item "Other scope and non-monetary changes" had been significantly negative as a result of the movement of the cash flow hedge reserve. In 2022, the negative movement of the reserve had been attributable to the effect of coffee price hedging strategies and the effects of the foreign exchange derivatives portfolio that had generated financial effects during 2022 and the economic effects of which, as a result of the application of hedge accounting, were deferred to 2023 (in conjunction with the accounting recognition of hedged supplies).

Acquisitions, negative for €394 million, were broken down as follows:

- €205 million net financial position of the MaxiCoffee Group included in the Lavazza Group upon acquisition;
- €164 million paid for the purchase from third parties of the interest in the MaxiCoffee Group;
- €33 million capital increase in the joint venture with Yum China;
- €2 million paid for the purchase of other investments;
- €10 million earned from the sale of the interest in Fresh and Honest Café Limited.

The following is a reconciliation between the net financial position at 31 December 2022 and the net financial position at 31 December 2023:



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 (ICRMS) aims at protecting 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.

Enterprise Risk Management (ERM) is integrated in the ICRMS as one of the parties responsible for second-level controls.

In July 2023, the Board of Directors of the parent company Luigi Lavazza S.p.A. established a new Board Committee (Control, Risk and Sustainability Committee) tasked with supporting the Board, through reporting, advisory, propositional and preliminary functions, in formulating guidelines for the whole ICRMS and in assessing its efficacy and effectiveness, so that the main risks (including sustainability-related risks) are properly identified and adequately measured, managed and monitored. The various parties involved in the ICRMS, including ERM, regularly refer to this Committee.

In 2023 as well, the Group applied the ERM framework with a view to identifying, managing and mitigating risks, preserving value creation and ensuring the achievement of the Group's objectives. The integration of the ESG risk analysis, based on international best practices and in compliance with the guidelines set by the World Business Council for Sustainable Development (WBCSD) and the Committee of Sponsoring Organizations (CoSO) framework, continued.

EXCHANGE RATE RISK

The year 2023 recorded a better-than-expected economic growth compared to initial estimates.

The United States did not enter a recession as feared, and showed instead a significant growth. The European Union was stable overall, albeit with some cause for concern in Germany. China's performance was by contrast extremely disappointing.

It was nonetheless a difficult year, with initial turbulence caused by the failure of several US regional banks (Silicon Valley Bank and Signature), burdened with capital losses on investments in treasuries due to the abrupt increase in interest rates, and then by the collapse of Credit Suisse, later acquired by UBS.

The restrictive policies of the two main central banks, the Federal Reserve and the ECB, set inflation rates back on a downwards path, aided by the decline in energy prices. In particular, in Europe the value of TTF gas more than halved from a peak of €74.8/MWh in January to €31.95/MWh at the end of December, with a low for the year of €23.25/MWh in early June, due to the introduction of a price cap, a disciplined liquefied natural gas procurement and storage policy and a mild winter.

On the currency market, the main drivers were the activities of the various central banks and their efficacy in tackling inflation and cyclical risk aversion/appetite.

The EUR/USD exchange rate began the year at 1.0667, and in the second quarter, due to a still very aggressive ECB stance with rate hikes in response to European inflation, and above all core, more resistant inflation, the Euro gained ground, reaching a high of 1.1255 in July. Subsequently, US macroeconomic data, which were stronger than in Europe, and the prospect of the final ECB rate increase in September triggered a leg of devaluation for the Euro that, with the flaring of geopolitical risks in the Middle East, saw the rate reach a low of 1.0469 in October.

At year-end, market expectations of rate cuts as early as the first quarter of 2024, the containment of the conflict and prospects of a soft landing by the US economy brought the exchange rate back to around 1.10.

The average annual exchange rate was 1.0813.

Exchange rate risk for raw material purchases was hedged primarily through forward purchases and derivative financial instruments.

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

After having aggressively raised rates in 2022, in 2023 the Federal Reserve made four hikes for a total of 100 basis points, bringing its key interest rate from 4.5% to 5.5% with the final move in July.

By contrast, the ECB, which began the year with a rate of 2.5%, applied six hikes for a total of 200 basis points, which raised the rate to 4.5%. It then kept its rate steady since September 2023.

Compared to the previous year, the USD rate curve shifted upwards by approximately 100 basis points on maturities up to six months, whereas the delta narrowed and the curve was inverted on maturities up to five years, after which it flattened.

The Euro curve underwent the same shift, with an inversion for maturities above six months followed by the resulting flattening.

Yields on ten-year US Treasuries began 2023 at around 3.7% and underwent a year of severe fluctuation, reaching a low of 3.3% on 6 April, after which they began to rise, driven by the rate hikes and reaching a high of 4.99% on 19 October 2023 in a full risk-off environment triggered by the attack on Israel. Expectations of upcoming cuts and widespread optimism at year-end then restored yields to about 3.9%.

Ten-year Bunds delivered a similar, yet less amplified, performance. At the beginning of the year, yields were 2.38%. Then, after various fluctuations, the uptrend brought them to a high of 2.968% on 3 October 2023, after which they kept declining to close the year at 2.02%.

The BTP-Bund spread began the year at a high for 2023 of 210. The favourable upward revisions of Italian GDP forecasts and Germany's difficulties brought it back to a low of 155.97 on 16 June, after which it climbed during the autumn risk aversion phase, in which investors shifted towards safe havens, driving the spread back up to the high at 206 on 9 October, to then rapidly decline and stabilise at 166 at year-end.

All loans had been previously converted to fixed rates using derivative financial instruments (interest rate swaps), except for the loan contracted in 2023.

Commodity price risk

The commodities sector declined in 2023: the Bloomberg global commodities index dropped by 11% compared to the beginning of the year. Weakness persisted across the board, with the energy sector decreasing by 21%, the agricultural sector by 8% and the industrial metal sector by 14%.

Coffee countered the trend: although beginning year at already historically high levels, Arabica reported a further +13% increase on 2023 and Robusta as much as a +58% increase.

In the first half of the year, Arabica was impacted by the previous weak harvest both in Brazil and Colombia, with values first approaching and then exceeding 200 $cts/lb (205 $cts/lb on 18 April 2023). The successful Brazilian harvest drove the price to a low for the year of (146 $cts/lb, but did not break through this level. In the autumn), persistent volumes of certified stocks at all-time lows (224,000 bags in November), along with new regulations that prevent recertification of old lots, triggered a new uptrend driven by the positions of speculative funds offering massive buying opportunities, resulting in the high for the year of 209 $cts/lb on 18 December. The partial retracement in the final days of the year brought Arabica back to 188 $cts/lb.

For Robusta, 2023 was a record year in terms of price increases: from 1,926 $/tonne for the first exchange position at the beginning of the year, the price reached 3,046 $/tonne on the last day of December, with a high of 3,179 $/tonne reached on 21 December.

It was a wild ride, led by increasingly massive demand for Robusta owing to the persistent trend that sees many roasters growingly expanding the use of Robusta or using it to replace Arabica to seek to contain price increases in an inflationary scenario that severely impacts consumers.

Neither exports of Conilon from Brazil, which recovered sharply in the last months of 2023, succeeded in mitigating the price increase. Speculative funds took long positions with large purchases, and certified stocks at their lows (3,374 lots in August) once again impacted price performance.

Arbitrage also suffered as a result: after beginning the year at around 90 $cts/lb in favour of Arabica, it reached a high of around 95 $cts/lb in May, followed by a low for the year of 37 $cts/lb in July due to skyrocketing Robusta, prices, to then return to 61 $cts/lb in December.

Both the varieties reported high volatility, further increasing in the second part of the year.

Coffee price risk was managed through physical price locks and derivative instruments used without speculative purposes.

Credit risk

Over the past year, days sales outstanding (DSO) continued to improve significantly at the Group level, confirming an effective management of financial resources and a constant effort to recover debts promptly. In parallel, efforts were intensified to improve oversight of past-due receivables, with a particular focus on Luigi Lavazza's HoReCa market.
Thanks to specific initiatives and greater monitoring of payments, bad debts were reduced to just above 1%. In addition, losses on receivables, which in previous years had already been kept at modest levels, reached an all-time low of 0.06% in 2023.

The Group was also committed to hedging credit risk outside Italy. During the year, the Group continued to apply its credit risk policy, hedging 93% of Luigi Lavazza's foreign distributors despite an increase in turnover of over 10%, by increasing the value of a series of instruments, such as bank guarantees and factoring, involving the Group's subsidiaries, with credit insurance policies taken out in various countries such as the US, the UK and France.

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 climate change;
- land use, deforestation and biodiversity.

Each ESG risk was analysed in terms of impact, and most risks resulted to occur upstream the industry. Lavazza is focused on the long-term protection of its value chain and has established mitigation policies across the various risk macro-categories.
For further details, reference should be made to the Sustainability Report.

HEALTH, WORKPLACE SAFETY, ENERGY AND ENVIRONMENT MANAGEMENT SYSTEM

In compliance with the guidelines provided for by its Corporate Health, Workplace Safety and Environment Policy (Italian acronym: SSEA), as revised in November 2023, the Lavazza Group continued to implemented and apply its SSEA Management System, confirming both the ISO 14001 environmental certification and the ISO 45001 occupational health and safety certification. The SSEA Management System, coordinated by the HSE (Health&Safety and Environment) Department on the basis of the corporate guidelines and managed through a dedicate company portal, has been gradually extended to all Italian and foreign Organisational Units, with an increasing focus on engaging external stakeholders (e.g., suppliers and contractors).
In 2023, Luigi Lavazza S.p.A. passed the ISO 45001 certification and the ISO 14001 environmental certification audits; the scope of the System currently includes the Nuvola Headquarters, the Innovation Center, the Italian commercial sites and the Turin, Gattinara, Pozzilli and 1895 plants, in addition to the Milan Flagship Store.

Luigi Lavazza S.p.A.'s Organisational Units included in the Group's SSEA Management System are specified in the respective ISO 14001 and ISO 45001 certifications, which are available to the public through the corporate website, together with the Corporate HSE Policy.
The ISO 14001 and ISO 45001 Group certifications currently include: Luigi Lavazza S.p.A. (Nuvola Headquarters; Innovation Center; Italian commercial sites; Turin, Gattinara, Pozzilli and 1895 plants; Milan Flagship Store); Lavazza Professional UK Ltd, Lavazza North America LLC, Carte Noire Operations S.a.s. and Cofincaf S.p.A.

The Group operated in accordance with environmental rules and permits (AIA – Integrated Environmental Authorisation and AUA – Single Environmental Authorisation), instrumental to the use of production facilities. No fines were ordered or levied by supervisory authorities.
In terms of workplace safety, during the year there was a constant, progressive decline in accident rates at both the level of the Group and Luigi Lavazza S.p.A. In particular, the Turin and Gattinara plants did not report any work-related injury in 2023; zero injuries have been reported by the Pozzilli plant since September 2020, and by the 1895 plant since September 2021.

In 2023, the main activities arising from the implementation of the SSEA Management System (internal audits, monitoring and oversight activities, information and training, improvement projects, important communications, outcome of the assessments of environmental risks and aspects, etc.) were shared with Top Managers during the meetings to "review the SSEA Management System", coordinated by the HSE Department both at the level and of the Group and Organisational Units. The results of these meetings were also shared during the meetings with the Supervisory Body pursuant to Legislative Decree 231/2001, in which the HSE Manager regularly takes part.

RESEARCH AND DEVELOPMENT

Research and development activity in 2023 achieved important results thanks to significant investments and organisational improvement based on a closer relationship between the R&D functions engaged on the product and the different geographical areas in which they operate. Particular attention was paid to upskilling in the packaging and sustainable materials areas.

To develop a coffee that enhances biodiversity, medium-term highly experimental regenerative agriculture projects have been launched in Nicaragua with the aim of improving sustainability throughout the supply chain.
In addition, 2023 saw the consolidation of expertise on post-harvesting practices:

- fermentations and barrel ageing processes to give the product a distinctive sensory profile through the use of natural processes;
- technologies for the functional enrichment analysis of coffee beans in collaboration with the ZHAW research centre;
- aromatic profile engineering through selective extractions of molecules.

The year 2023 marked a turning point in the field of packaging and in the study of packaging materials.
After the pre-development phases started in previous years, the Group is now able to guarantee that all formats are available, industrialised and produced using recyclable materials for at least one production line per format. The activities aimed at extending this to all lines in the coming years will make a major contribution to reducing CO2 in packaging.
The Group also invested significantly in the exploration of new categories of materials to be used in the primary packaging of coffee capsules in order to ensure domestic compostability with both paper and bioplastic-based solutions, as well as in strategies for their drastic reduction, with the twofold objective of improving the sustainability indicators of single-serve products and anticipating possible European regulatory developments.

The new Advanta vending machine was launched for the Klix system, with a digital interface equipped with a large 24" touchscreen display that allows better interaction with the consumer, and introduces a new brewing system to obtain better hot and cold drinks in terms of quality and sensory intensity. The Advanta machine also houses the new 10.5oz paper cup, which enables to meet current consumption trends requiring larger-size beverages.
For the Flavia system, the new C300 machine was launched for offices in North America: it is equipped with a touchscreen, connected in bidirectional telemetry and with a system for reading the products dispensed. The machine can be flanked by the new Chill Refresh module that allows cold recipes from the Flavia range to be dispensed.
More generally, with regard to the machine development area, the plan continued to increase the use of plastic materials from recycled sources within the entire product range.

The Scientific and Regulatory Affairs area, which was established in 2021 and has made it possible to understand possible regulatory developments in a detailed way, continued to be strengthened.
In particular, in 2023 the Group monitored the evolution of the Packaging and Packaging Waste Regulation proposal, which aims at providing a European guidance for product design so that all packaging become circular. The content of this Regulation may strongly impact choices relating to projects, materials and investments associated with both capsules and flexible packaging.

As regards the Scientific area, the main activities focused on medium-long term projects carried out in Associative areas on topics concerning: Coffee Contaminants, Coffee and Health, Coffee Cultivation without using Agrochemicals and Coffee Varietal Improvement for Higher Productivity, Quality and Climate Resilience. The aim is to generate an in-depth knowledge on all the coffee processing phases, in order to create value for the sector, thus fostering future initiatives for innovating the Lavazza portfolio.

PERSONNEL RELATIONS

The Lavazza Group — which recently acquired the French MaxiCoffee in March 2023 — is a global company with over 5,500 total employees, almost 70% of whom are based at foreign subsidiaries. The Group considers people to be its main resource and sets as one its main priorities for today and the coming years their integration and development through common HR processes and policies.

TRAINING AND DEVELOPMENT

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 paths with corporate citizenship training initiatives, self-development opportunities consistent with individual development plans and professional family initiatives on teamwork effectiveness and 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 constantly 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 2023, the Performance Management process was further consolidated with a focus on aspects such as development and motivation. The training catalogue was reviewed by promoting initiatives aimed at strengthening managerial behaviour, in line with the Group's Values. In particular, Corporate Citizenship programmes (the Campaign on the Group's new Code of Ethics, Sustainability, Diversity&Inclusion) were promoted, developing contents with the support of internal experts and multichannel paths, so as to reach all the Group's Employees. The adoption of digital platforms, available on demand and in multiple languages, with specially developed content, along with access to environments such as LinkedIn Learning, increased across all geographical areas and was particularly appreciated as a continuous professional development tool also thanks to the opportunity for employees to build customised paths.

The total number of training hours amounted to 36,100 in Italy and to 26,100 abroad, with extensive coverage at Group level and an increase in total average per-capita training hours.

The year 2023 saw the definition and implementation of the Talent Review global process, through the dissemination of uniform, transparent selection criteria, in line with the Group's D&I objectives. This initiative (which involved about 74% of the population included in assessment processes) made it possible to identify people who have international and cross-functional career development opportunities based on their performance and potential. In parallel, assessment and development initiatives were launched to define individual plans, while supporting people and/or their respective People Managers through feedback sessions with assessors and coaches, thus strengthening a managerial culture and behaviour that promote feedback and professional growth.

MANAGEMENT / TRADE UNION TOPICS

Another priority of the Group is involving its people in the achievement of results and developing engagement tools that can support the sense of belonging and the Company's successful growth. At the end of 2022, the headquarters supplementary contract for the 2023-2025 three-year period had been renewed with an important negotiating opportunity that, confirming the good relations between the Company and the trade unions, had 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. In the first year of application, the Lavazza Group extended remote working — which has now become part of a global policy —, 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 include 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 will be responsible for remuneration and full contributions for these days. In particular, the first year of short Fridays, effectively launched and run from May to September 2023, met with a high degree of approval among people and proved fully suited for and compatible with the business' working methods and objectives.
The 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.

REWARDS AND COMPENSATION

In 2023, a communication campaign was launched to explain the approach to managing rewards within the Lavazza Group. In March 2023, an informational course was released to illustrate the Lavazza Group Reward Framework, exploring the various elements and processes that guide remuneration policies within the Lavazza Group.

The Lavazza Group Reward Framework is an integrated remuneration policies management system that the Lavazza Group has developed in recent years and whose main objectives may be summarised as follows:

- providing a shared methodology and approach for an increasingly international Group;
- ensuring internal equity and the organisation's competitiveness with respect to the labour market and the best management and development practices;
- ensuring ongoing alignment between team and individual business performances and the Group's strategic and operating priorities.

The online course was released on the SuccessFactors platform and was made available to all employees in Italy, gradually extending it to all geographical areas (in 2023, it was already available to Lavazza PRO EU, Australia, the UK and Nordics).

The Total Reward Statement (TRS) provides a clear, immediate indication of the value of the remuneration package of each employee, including not only fixed and variable monetary components, but also the welfare benefits and services offered by the Company.
The document is designed to raise awareness among employees of the true value of their remuneration packages, providing a monetary estimate of benefits and summing them together with the other monetary remuneration components.
The result is an overall indicative value of the package accrued on an annual basis by the employee and the related cost borne by the Company.

The document began to be published for all employees in Italy with effect from May 2023 and can be consulted at any time through the SuccessFactors individual profile.

INTERNAL COMMUNICATIONS

The Internal Communication strategy called for optimisation of the various communication channels, from digital channels to the more traditional ones such as mail or print, routing the content to the platform that in a specific case is deemed the most suited to reaching people. The company Intranet WeBlend — considered a privileged touchpoint — has become a crucial reference for information and company life, bringing together most communications, news and relevant updates.

With the goals of involving all personnel in Italy and abroad, in 2023 the layout of the Group's Intranet was revamped using a more intuitive architecture.
The introduction of a distinction between "Global News" and "Local News" within the Intranet reflects the Group's increasingly international attitude, with the aim of promoting a sense of belonging and identity within the Lavazza community.
Moreover, the local sections, directly managed by the various legal entities, allow to effectively manage specific country-related documents, policies and procedures, while integrating them with the global resources and guidelines provided by the Headquarters.

The integrated and global communication campaign "Our Human Touch", launched in 2022 to disseminate the Group's new Code of Ethics and the related Whistleblowing Policy, continued in 2023 to further support the goal of consolidating the sense of belonging to the Company. In addition to illustrating and steering company behaviour, these documents also inspire people to act as informed professionals and individuals.
The modules relating to the Tax Control Framework Policy (in Italy), the Anti-corruption Policy, the Crisis Reporting and Management Policy and Social Media Policy were then published.

The "Our Human Touch" programme shows how each individual can and must be called upon to make the difference within the Group through his or her contribution. The choice of the comic book format and visuals facilitated the task of conveying complex content: the two baristas, Anna and Tom, the comics' supporting characters, encourage reflection in conversations with employees — the real stars of the stories — letting them find their own answers to their doubts as to the proper behaviour in which to engage.
The campaign was then translated in four languages and disseminated across all communication channels, including the production plants.
Another important initiative to be mentioned is the series of WeBlend Café events, with the three annual sessions streamed live globally. Thanks to the involvement of the CEO and colleagues from various functional areas and countries, WeBlend Café is becoming an important platform to share the most significant objectives, strategies and projects with all the Group's collaborators.

WELFARE

In 2023, the new welfare & wellbeing TIME TO CARE programme was launched, which focuses on people and their overall wellbeing. This programme provides for a number of initiatives that revolve around four pillars:

- physical wellbeing, to support people in making healthy choices so that they can live and work well and are in good health;
- financial wellbeing, to improve spending power for individuals and their families;
- emotional wellbeing, to promote awareness and emotional management capabilities and facing daily challenges in a more balanced way;
- social wellbeing, to contribute to creating a sense of belonging and being an active part of a social network.

In particular, in 2023 the physical pillar focused on supplementary health insurance policies and the many benefits offered to individuals for treatment, as well as prevention. In this area, the telemedicine service was also launched to offer 24/7 access to doctors for voice or video consultation in the fields of general or specialist medicine. The offerings were also expanded to include consultation with paediatricians for parents, as well as with psychologists and nutritionists. In collaboration with the local health authority, a hepatitis C virus (HCV) prevention campaign was also carried out. The year-end then saw the launch of a programme dedicated to lifestyles and prevention, raising awareness of the importance of a healthy diet, physical activity, attention to mental and physical wellbeing and sleep for health prevention purposes.
Another initiative highly appreciated by families was the "parent bonus" involving reimbursement of a part of the costs of enrolling children in daycare and/or summer camps.
With regard to the emotional pillar, the mindfulness programmes proved particularly helpful, as did the possibility to use a digital platform called Work Life Synergy, which supports emotional management of major life changes.
The social wellbeing pillar focused on a Volunteer Programme that allows people to volunteer at selected local associations that work with the Lavazza Foundation, using eight hours of dedicated leave. In 2023, 111 collaborators took part in the programme, which will be implemented in 2024 as well, extending the number of associations and increasingly fostering employee engagement.

D&I E GAP FREE

In 2023 as well, the Group continued to be 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 for all. 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 2023, the Lavazza Group continued the process it began in 2020, implementing its Global D&I Governance model by activating the Global D&I Council and creating ERGs (employee resource groups) at the local level. The ERGs — groups of Lavazza people who meet on a voluntary basis to collect petitions, propose initiatives and promote a GAP-FREE culture on specific D&I matters — were formed in Italy, the UK, Australia and the US in 2023. Specifically, each ERG reflects the D&I matters dearest to people in each Lavazza country and company. For example, three ERGs were created in Italy in 2023 focused on the following topics:

- Gender
- Parenthood & Care-giving
- Generations

Throughout the year, the central role played by educational awareness programmes was again confirmed, with a view to increasing D&I awareness and generating a profound cultural change. Training involved, on one hand, all Lavazza People through the dissemination, within the Company, of a global online D&I course in four languages, and on the other hand, the People Managers of the Group subsidiaries through a series of online and face-to-face workshops facilitated by employees trained to promote an inclusive and gap-free working environment. Following the Italian pilot programme in 2022, in 2023 a dedicated programme was also implemented to train activators at Group subsidiaries,

with employees spontaneously offering to take a leading role in this cultural change, playing a fundamental part at Lavazza in jointly defining and implementing some key features of the D&I strategy.

Among the ongoing D&I training, awareness-raising and engagement activities for the Lavazza People, the first Lavazza GAP FREE Day was held in 2023. This one-day event was dedicated fully to exploring the key messages of the Lavazza D&I Manifesto and encouraging People to reflect on what it means to Lavazza to be a Gap-Free company and what can be done as allies and communities to achieve the Group's Diversity, Equity and Inclusion goals. The GAP FREE Day was organised at various subsidiaries worldwide, adapting the diversity and inclusion issues in each case to ensure that they were relevant and appropriate to the local sensibilities and culture, while always staying true to the Group's global strategy.
To pursue the Group's commitments to implementing specific women leadership empowerment programmes and reaching 40% women in executive positions by 2030, the Group focused on strengthening women's networks and alliances, while also encouraging female employees in top management positions to become role models for other women at the Company. To this end, in June 2023, 25 female executives (12 Italian women and 13 foreign women) were involved in a programme to develop and enhance their inner leadership — the Ashland Institute CIYO Programme (already tested at Lavazza in 2022). To give visibility to the Group's talented women, who often have fewer chances at the Company to be exposed to top managers and to company decision-makers, in July 2023 a Sponsorship for Gender Balance programme was also launched, which involved 20 female Italian and international employees in the role of sponsorees and the first reports to the CEO as sponsors. In support of this relationship, 18 advocates were also identified. These are male and female collaborators in important roles within the organisation who can support the programme's roll-out in their respective purview. The programme, which lasts for 18 months, will end in November 2024.

Another milestone in 2023 was the achievement of one of the Group's D&I goals: the award of the first level of EDGE Certification (Edge Assess) in Italy — fundamental above all to support an objective, comparable internal analysis of gender equality at the Italian sites, but also to adopt a recognised, accurate internal gender pay gap measurement tool that can be replicated at subsidiaries, in addition to identifying specific areas of intervention that represented a starting point for the Group to develop a short-to-medium-term action plan as the foundation for many of the actions implemented in 2023 and planned for 2024.

Growth compared to the previous year was due in large part to the salary increases applied during the Salary Review process. The Company invested a largely greater amount in its remuneration policies compared to previous years in order to offset part of the erosive effect of high inflation on salaries, in addition to rewarding people who achieved excellent performances during the year.
Moreover, the long-term incentive plan was reviewed, increasing the managerial population included in the plan and linking a portion of the payment to sustainability-related KPIs.
Personnel recruitment policies continued to be implemented in the year with a view to supporting priority projects for the business and strengthening 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.

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 2023 compared with the previous year:

€ million	**YEAR 2023**	**RATIO %**	**YEAR 2022**	**RATIO %**
Net revenues	2,036.8	100.0%	1,939.2	100.0%
EBITDA	107.9	5.3%	172.4	8.9%
EBIT	0.9	0.0%	58.6	3.0%
Profit before taxes	25.4	1.2%	74.4	3.8%
Profit for the year	**39.6**	**1.9%**	**68.8**	**3.5%**
Net working capital	604.0		556.2	
Net fixed assets	2,559.2		2,225.3	
Total uses	**3,163.2**		**2,781.5**	
Net financial position	762.1		386.7	
Equity	2,401.1		2,394.8	
Total sources	**3,163.2**		**2,781.5**	
Capex	50.1		65.8	
Headcount	1,854		1,790	
ROS	**0.05%**		**3.02%**	
ROI	**0.67%**		**4.67%**	
ROE	**1.65%**		**2.87%**	

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

€ million	YEAR 2023	RATIO %	YEAR 2022	RATIO %	CHANGES	CHANGES %
Net revenues	2,036.8	100.0%	1,939.2	100.0%	97.6	5.0%
Other income and revenues	139.3	6.8%	144.7	7.5%	(5.4)	(3.7%)
Total income and revenues	**2,176.1**	**106.8%**	**2,083.9**	**107.5%**	**92.2**	**4.4%**
Cost of sales	1,231.4	60.5%	1,035.3	53.4%	196.1	18.9%
Costs of services	613.2	30.1%	662.5	34.2%	(49.3)	(7.4%)
Other costs	39.8	2.0%	40.2	2.1%	(0.4)	(1.0%)
Total external costs	**1,884.4**	**92.5%**	**1,738.0**	**89.6%**	**146.4**	**8.4%**
Value added	**291.7**	**14.3%**	**345.9**	**17.8%**	**(54.2)**	**(15.7%)**
Personnel costs	183.8	9.0%	173.5	8.9%	10.3	5.9%
EBITDA	**107.9**	**5.3%**	**172.4**	**8.9%**	**(64.5)**	**(37.4%)**
Amortisation, depreciation and write-downs	103.4	5.1%	105.8	5.5%	(2.4)	(2.3%)
Provisions	3.6	0.2%	8.0	0.4%	(4.4)	(55.0%)
EBIT	**0.9**	**0.0%**	**58.6**	**3.0%**	**(57.7)**	**(98.5%)**
Income/(expense) from investments	45.2	2.2%	32.4	1.7%	12.8	39.5%
Financial income/(expense)	(20.7)	(1.0%)	(16.5)	(0.9%)	(4.2)	25.5%
Profit before taxes	**25.4**	**1.2%**	**74.4**	**3.8%**	**(49.0)**	**(65.9%)**
Income taxes	14.2	0.7%	(5.6)	(0.3%)	19.8	(353.6%)
Profit for the year	**39.6**	**1.9%**	**68.8**	**3.5%**	**(29.2)**	**(42.4%)**

Total income and revenues amounted to €2,176.1 million, increasing by €92.2 million compared to the previous year, and included €2,036.8 million net revenues, up 5% compared to €1,939.2 million for 2022.

EBIT declined compared to the previous year, mainly due to the higher cost of raw materials, logistics, rentals and packaging.

Profit before taxes amounted to €25.4 million, down €49.0 million compared to €74.4 million for the previous year.

Profit for the year amounted to €39.6 million, down €29.2 million compared to 2022, as a result of the above-mentioned events, partly offset by the increase in dividends received from investees.

Reclassified balance sheet of Luigi Lavazza S.p.A.

€ million

		2023	2022	CHANGES
	Inventories	348.0	463.0	(115.0)
	Trade receivables	123.4	92.7	30.7
	Receivables from subsidiaries, associates and Parent	355.5	344.0	11.5
	Deferred tax assets	69.3	102.2	(32.9)
	Other prepayments and accrued income	29.6	46.3	(16.7)
	Property, plant and equipment held for sale	-	5.2	(5.2)
A.	**Total operating assets**	**925.8**	**1,053.4**	**(127.6)**
	Trade payables	**149.1**	**335.2**	**(186.1)**
	Payables to subsidiaries, associates and Parent	**52.7**	**60.0**	**(7.3)**
	Tax payables and payables to social security institutions	**11.6**	**8.8**	**2.8**
	Other liabilities and deferred income	**108.4**	**93.2**	**15.2**
B.	**Total operating liabilities**	**321.8**	**497.2**	**(175.4)**
C.	**Net working capital**	**604.0**	**556.2**	**47.8**
	Intangible assets	518.5	554.5	(36.0)
	Property, plant and equipment	343.2	360.1	(16.9)
	Financial assets	1,810.7	1,478.5	332.2
D.	**Total fixed assets**	**2,672.4**	**2,393.1**	**279.3**
	Provisions	101.4	155.6	(54.2)
	Employee termination indemnities	11.8	12.2	(0.4)
E.	**Total fixed liabilities**	**113.2**	**167.8**	**(54.6)**
F.	**Total net fixed assets**	**2,559.2**	**2,225.3**	**333.9**
G.	**Total invested capital, net - Uses (C + F)**	**3,163.2**	**2,781.5**	**381.7**
	Cash and cash equivalents	(54.7)	(152.9)	98.2
	Financial assets other than fixed assets	114.1	83.4	30.7
	Financial liabilities	702.7	456.2	246.5
H.	**Net financial position**	**762.1**	**386.7**	**375.4**
	Capital	25.1	25.1	-
	Reserves	699.9	699.4	0.5
	Retained earnings	1,636.5	1,601.5	35.0
	Profit for the year	39.6	68.8	(29.2)
I.	**Equity**	**2,401.1**	**2,394.8**	**6.3**
L.	**Total sources (I + H)**	**3,163.2**	**2,781.5**	**381.7**

Net working capital amounted to €604.0 million, up €47.8 million compared to €556.2 million at 31 December 2022. The change was mainly attributable to the following components:

- the €115.0 million decrease in inventories, driven mainly by the green coffee component, significantly impacted by lower stocked volumes, as well as by the R&G and capsules finished product due to a decrease in stocks;
- the €30.7 million increase in trade receivables, and the €11.5 million rise in receivables from subsidiaries and associates;
- the €32.9 million decrease in tax receivables, including €29.6 million VAT receivables arising from payment of the VAT due directly to the Italian Customs at the end of the previous year following the achievement of the VAT threshold for imports;

- the €186.1 million decrease in trade payables mainly attributable to a different approach in the monthly analysis of costs for the provision of goods and services in the year.

Net fixed assets totalled €2,672.4 million compared to €2,393.1 million at 31 December 2022.

The €36.0 million decrease in **intangible assets** related mainly to investments in software for long-term use totalling €20 million, offset by amortisation and write-downs for the year amounting to €56.0 million.

The net decrease in **property, plant and equipment** amounting to €16.9 million, mainly involving plant, machinery and equipment, was chiefly attributable to the increase in total capital expenditure, net of €30.1 million disposals, offset by depreciation and write-downs for the year totalling €47.0 million.

The €332.2 million increase in **financial assets** was due to the combined effect of the following transactions:

- capital increase of the investee ECS S.r.l., mainly associated with the acquisition of the company MaxiCoffee Group S.a.s. for €164.9 million;
- capital increase of the company Y&L Coffee Ltd for €33.2 million;
- the €8.0 million decrease attributable to the distribution of Lavazza Netherlands B.V.'s capital reserves;
- net change in financing associated with the acquisition of the company MaxiCoffee Group S.a.s for €149 million;
- decrease in the market value of derivative instruments for €6.9 million.

Provisions declined mainly as a result of the draw-downs for personnel's bonuses, as well as other utilisations to hedge litigation expenses, future expenses associated with several issues and provisions relating to financial instruments and the related deferred taxes.

Net financial position was negative at €762.1 million, worsening by €375.4 million compared to 2022.

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 2023	YEAR 2022
Profit for the year	39.6	68.8
Amortisation and depreciation	103.0	104.4
Net change in employee termination indemnities	(0.4)	0.1
Net change in provisions	(54.1)	5.0
Write-downs of equity investments and securities included in fixed assets	-	6.7
Other write-downs of fixed assets	-	0.8
Net effect of merger	-	-
Changes in items of net working capital		
- inventories	120.2	(149.2)
- trade receivables	(30.6)	22.3
- receivables from others and other assets	38.0	(108.2)
- trade payables	(186.1)	56.5
- other payables and liabilities	10.7	32.9
Cash flows from (used for) operating activities	**40.3**	**40.1**
Net purchases of:		
- intangible assets	(20.0)	(19.9)
- property, plant and equipment	(30.1)	(45.9)
- investments in subsidiaries, associates and other companies	(190.1)	(29.5)
- other non-current financial assets	(142.1)	(23.5)
Disposals of:		
- equity investments	-	7.3
Cash flows from (used for) investing activities	**(382.3)**	**(111.5)**
Dividends paid	(38.9)	(42.7)
Change in hedge reserve for expected cash flows	5.5	(38.7)
Cash flows from (used for) financing activities	**(33.4)**	**(81.4)**
Cash flows for the year	**(375.4)**	**(152.8)**
Net financial assets / liabilities at year-start	**(386.7)**	**(233.9)**
Net financial assets / liabilities at year-end	**(762.1)**	**(386.7)**

Net cash flows from operating activities were positive at €40.3 million, calculated as the offset balance between the positive earning component of €88.1 million — that includes both profit for the year amounting to €39.6 million and amortisation and depreciation for €103.0 million — and the negative change in net working capital for €47.8 million, chiefly impacted by the €186.1 decrease in trade payables attributable to the approach of the monthly analysis of costs for the provision of goods and services, only partially offset by the decline in inventories' value for €115 million.

Cash flows from investing activities had an overall negative net balance of €382.3 million, composed of:

- net purchases of intangible assets (€20.0 million), mainly attributable to the capitalisation of costs for projects relating to software for long-term use;

- net purchases of property, plant and equipment (€30.1 million), chiefly relating to investments in lines and machinery (e.g., roasters, storage facilities, etc.), as well as to the installation of machines for the Firma system in the OCS sector and espresso machines at the cafés in the Food Service sector;

- monetary investments in subsidiaries and associates, chiefly attributable to the capital contribution made in the year in favour of the subsidiary E-Coffee Solutions S.r.l. for €164.9 million and the recapitalisation of the associate Y&L Coffee Ltd for €33.2 million, offset by the distribution of Lavazza Netherlands B.V.'s capital reserves for €8.0 million;

- increase in other financial assets for €142.1 million, mainly attributable to the net increase of financing linked to the acquisition of the MaxiCoffee Group S.a.s and the decrease of derivative financial assets.

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 2023.
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 with a view to compliance with the provisions of Regulation (EU) No. 2016/679 on the protection of natural persons with regard to the processing of personal data.

Information on management and coordination activities

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

Corporate Governance

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

The Board of Directors is the central body of the corporate governance system. It has the broadest management powers and the strategic guidance of the Company and 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 13 members, including five Independent Directors. The mandate of the Board of Directors currently in office will expire upon approval of the 2025 Financial Statements. The Board of Directors is chaired by the Chairman Giuseppe Lavazza, who in April 2023 replaced the previous Chairman, Alberto Lavazza, who was in turn appointed Honorary Chairman. The Chairman is supported by Vice Chairman Marco Lavazza and Chief Executive Officer Antonio Baravalle.

Two Board Committees have been established: (i) the Control, Risk and Sustainability Committee, tasked with supporting the Board of Directors in its assessments and decisions relating to the internal control system and its effectiveness and efficacy and, more generally, in assessing the main company risks (including sustainability-related risks) and the process for approving the financial statements; and (ii) the Remuneration and Appointments Committee, responsible for supporting, with reporting, advisory, propositional and preliminary functions, the Board of Directors in its assessments and decisions with respect to the selection of the professional skills deemed appropriate within the Board and the Directors' and Managers' remuneration.

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.

In addition, the Board of Directors of the parent company Luigi Lavazza S.p.A., also with support from the Control, Risk and Sustainability Committee, steers the organisational structure that oversees the Group's sustainability. The Board of Directors in fact approves the Sustainability Report every year and defines the Group's strategies for achieving its sustainable success objectives.
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 reports to the Control, Risk and Sustainability Committee, the Chief Executive Officer and other members of Top Management on the activities performed by the Department and the related progress. 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.

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

In accordance with the provisions of Italian 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; 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.

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 (as transposed into local laws of the countries in which the Group operates), a Group system for the management of whistleblowing reports has been implemented, governed by a specific Whistleblowing Policy published on the corporate Intranet and website.

Persons entitled to submit reports, and the conduct that may be reported, are much broader than as provided in whistleblowing legislation. In fact, the Lavazza Group supports and encourages anyone, whether internal or external to the Group, intending to report — anonymously or providing his/her contact details — a breach of national or European Union laws harmful to the public interest or integrity of the private entity, of which the whistleblower has become aware in a working context, in contrast with the Organisational, Management and Control Model as per Legislative Decree No. 231/2001 (where applicable), the Code of Ethics and the Group's policies and procedures, and potential breaches of laws and regulations in general, thereby also providing access to "Ordinary Reports ", i.e., reports of behaviour, acts or omissions that may entail damage to the interests and value of the Lavazza Group.

The Lavazza Group has set up specific channels (online platform, dedicated telephone line, e-mail and ordinary post) for managing whistleblowing reports.

Group's Code of Ethics

The Lavazza Group has adopted a Code of Ethics, which incorporates the 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.

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 and in-depth sessions on antitrust issues are provided both online and in the classroom.

Integrated compliance project

A Group integrated compliance programme was launched, involving the design and development of a model to identify, measure, monitor and manage the risks of regulatory non-compliance to which the Company and the Group are exposed, and to place in dialogue with one another the various components of the Internal Control and Risk Management System (ICRMS), so as to enable opportunities for improvement of the overall system for monitoring legal non-compliance risks, including through simplification and greater operational efficiency of activities and information flows, as well as increased quality of information regarding risks, thus reducing control redundancies within the organisation.

The project is divided into two phases. The first of these involves a specific focus on the Parent Company, Luigi Lavazza S.p.A., and on the Group's Italian subsidiaries, through a strategy for actions in three project areas: an overall survey of the current compliance models (an "as-is and gap analysis"), integrated model design and integrated model validation.

The second phase involves adapting the integrated compliance model from an international perspective, in light of local legislative structures and needs (model roll-out).

ESG Compliance

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.

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

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 analyses 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.
Each year the Company prepares a Tax Control Framework Report pursuant to Article 4, paragraph 2, of Legislative Decree No. 128/2015, which is submitted to the Board of Directors and Board of Statutory Auditors and contains a review of the control activities carried out and their outcome with regard to the efficacy of tax risk control measures, possible remediation actions and other relevant information that is also sent to the Italian Revenue Agency in accordance with reporting and transparency obligations.

Luigi Lavazza S.p.A. is included in the list of the companies admitted to the Cooperative Compliance regime published on the Italian Revenue Agency website.
Since 2020, Luigi Lavazza S.p.A. has benefited from 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

In line with its strategic plans, the Lavazza Group continues to maintain a high level of monitoring of cyber risks and their potential impacts through a programme based on the improvement of conduct in three main areas, i.e., technological, organisational and cultural areas.

The launch of a multi-year cybersecurity development programme has allowed to improve both monitoring and prevention and incident response capabilities through the adoption of technical and organisational measures that has enabled overall risk mitigation.

The multi-year programme provides for additional measures, the adoption of which is still underway and will continue in 2024. Moreover, with a view to continuous improvement and market alignment, development plans and actions are regularly enriched and adapted providing for the definition of a new evolution roadmap for the coming years.

OUTLOOK

The global economic scenario is undergoing rapid change, increasingly characterised by market uncertainty and unpredictability: what yesterday was a certainty, today becomes less transparent and harder to interpret.

One example is the current Suez Channel crisis, which is having significant repercussions on logistics and supply costs, particularly with regard to Vietnam, one of the world's largest coffee exporters along with Brazil. This specific event is in addition to structural complexities such as higher commodity costs and the unfavourable Euro/Dollar exchange rate, which has a direct impact on Lavazza's financial performance.

Within this complex scenario, to protect its volumes and customers as much as possible without ever compromising on the quality of its products, the Group has decided to invest in its future, safeguard its production plants and collaborators, and stand by its consumers as much as possible, and thus to absorb a considerable share of costs internally, giving up a portion of its profit margins already in the year just ended.

The Group is therefore aware of the very difficult challenges ahead — which are not without risk. The Group will seek out every possible solution to cope with an extremely critical industry scenario, implementing effective solutions in terms of profitability and focusing on its international growth strategy, particularly on strategic markets such as the United States and on rapidly growing areas such as China, in order to maintain a high level of competitiveness.

With a strong sense of responsibility, the Group will continue to manage inflation dynamics and the critical issues on the supply side to blunt their impact as much as possible, without losing sight of its commitment to defending and protecting the value and quality of its products, appreciated the world over.

VOLUNTARY TOTALITARIAN TENDER OFFER AIMED AT DELISTING IVS GROUP S.A.

On 22 April 2024, E-Coffee Solutions S.r.l. ("ECS"), a company of the Lavazza Group, Torino 1895 Investimenti S.p.A. (a subsidiary of Finlav S.p.A.) and IVS Partecipazioni S.p.A. ("IVSP"), the majority shareholder of IVS Group S.A. ("IVSG"), a Luxembourg-based company at the head of the IVS Group — the market leader in Italy and second player in the European Union in the vending market, whose shares are listed in Italy on Euronext Milan, STAR segment ("EXM"), a regulated market organised and managed by Borsa Italiana S.p.A — have announced the signing of binding agreements aimed at carrying out a transaction (the "Transaction"), which contemplates, inter alia, the launch of a voluntary totalitarian tender offer on IVSG shares by Grey S.à.r.l. ("Grey"), a newly incorporated Luxembourg vehicle wholly owned, as of the date of announcement of the Transaction, by ECS (the "Offer" or the "Tender Offer").

The consideration for the Offer, equal to €7.15 per share tendered to the Offer (the "Consideration"), incorporates:

(i) a premium equal to 11% with respect to the closing price of IVSG shares on 22 April 2024 (i.e., date of the announcement of the Transaction) (8.1% with respect to the official price);

(ii) a premium equal to 6.9% with respect to the official price of IVSG shares on 19 April 2024 (the last trading day prior to the date of the announcement of the Transaction) (the "Reference Date");

(iii) a premium equal to 18.9% with respect to the weighted arithmetic average of the official prices of IVSG shares in the last 6 months before the Reference Date (included).

It should be noted that, in the event of full acceptance of the Offer by all the holders of the shares subject to the Offer, the maximum total countervalue of the Offer, calculated on the basis of the Consideration equal to €7.15 per share and the maximum total number of shares subject to the Offer, will be equal to €184,770,471.60.
The Offer is aimed at obtaining the delisting of IVSG shares from EXM, which may also be achieved through a merger subject to the satisfaction of the relevant conditions (the "Delisting").
In the context of the overall Transaction, call and put options exercisable from 2027 have been agreed as a result of which, subject to obtaining the necessary regulatory approvals, the Lavazza Group would acquire control over IVSG.

In particular, the following binding agreements relating to the Transaction were entered into on 22 April 2024:

a) an investment agreement (the "Investment Agreement") between ECS, Torino 1895 Investimenti S.p.A. ("Torino1895"), a company controlled by Finlav S.p.A., IVSP and Grey, aimed at regulating, inter alia:
   - (i) the promotion by Grey of the Offer aimed at acquiring, for a cash consideration equal to €7.15 per share, a maximum of No. 25,842,024 IVSG shares, representing 28.36% of the share capital of IVSG (including No. 10,702,112 IVSG shares, equal to 11.74% of IVSG's share capital, which IVSP undertook to tender to the Offer);
   - (ii) ECS's commitments aimed at providing Grey with the resources necessary for the payment of the consideration of the Offer;
   - (iii) the commitment of IVSP to tender to the Offer, a total of No. 10,702,112 IVSG shares, representing approximately 11.74% of the share capital of IVSG;
   - (iv) subject to the positive completion of the Offer:
     a. he commitment of IVSP to contribute to Grey the overall remaining 46,243,640 IVSG shares, equal to 50.75% of the share capital of IVSG (as of the date of the announcement of the Transaction), as well as
     b. b. the commitment of Torino1895 to transfer to ECS the 18,588,139 IVSG shares owned by Torino1895, equal to 20.4% of the share capital of IVSG (as of the date of the announcement of the Transaction), together with the commitment of ECS to contribute such shares to Grey, all at a value per share equal to the consideration of the Offer.

   Therefore, in case of a positive outcome of the Offer and taking into account the foregoing commitments, depending on the acceptance of the Offer:
   (i) IVSP would hold a stake of at least 51% of the share capital of Grey and, indirectly, of IVSG;
   (ii) ECS would hold a stake of between 39% and 49% of the share capital of Grey and, indirectly, of IVSG;
   (iii) Torino1895 would no longer hold any direct or indirect stake in IVSG;

b) a shareholders' agreement (the "Shareholders' Agreement") between ECS and IVSP, with the participation also of Grey, aimed at defining the rules of governance and the transfer of the shares in Grey and IVSG, subject to the positive completion of the Offer. In particular, with reference to the governance rights pertaining to ECS, the Shareholders' Agreement provides that, for as long as IVSP will exercise legal control over Grey and, indirectly, over IVSG, ECS will be the holder of certain governance rights for the mere protection of its indirect investment in the Issuer, including, inter alia, a representation on the board of directors of IVSG;

c) a reciprocal option agreement (the "Option Agreement") between ECS and IVSP, subject to the positive completion of the Offer, providing for options to purchase (call options) of ECS and options to sell (put options) of IVSP on the shares held by IVSP, following completion of the Offer, in Grey (or in the company resulting from the possible merger of IVSG and Grey or vice versa, which may be implemented after the Offer). In any case, the call and put options will be exercisable after the approval of IVSG's consolidated financial statements as at 31 December 2026 (and, therefore, starting from 2027 until 2034).

Grey, by means of a communication disseminated on 22 April 2024 pursuant to Article 102, paragraph 1, of Legislative Decree No. 58 of 24 February 1998 and Article 37 of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended, announced that it has taken the decision to launch the Offer, together with the description of the legal assumptions, terms, conditions and essential elements of the Offer (the "Communication").

The Offer will be promoted exclusively in Italy and its completion is subject to the obtainment of the regulatory authorisations (that is, the authorisation from the Bank of Italy for the acquisition, by Grey, of a qualifying indirect controlling shareholding in Moneynet S.p.A, a payment institution belonging to the IVS Group, and the authorisation by the UK Secretary of State pursuant to the National Security and Investment Act 2021 consequent to the exceeding of a participation threshold, although indirect, by ECS and Grey in N-And Group Ltd. – a company of the IVS Group incorporated pursuant to English law, active in the sector of design and implementation of IT platforms and applications), as well as upon the occurrence of the conditions for the effectiveness of the Offer.

Moreover, this phase of the Transaction would be concluded with the Delisting of the IVSG shares, which could take place following the possible sell-out *and/or* squeeze-out *procedures pursuant to* applicable laws (or, if the conditions to proceed with the Delisting following the completion of the Offer are not met, following the possible merger by incorporation of IVSG into Grey, in line with the reasons and objectives of the Offer).

Subsequently, in case of exercise of the call and/or put options pursuant to the Option Agreement, ECS may acquire – starting from 2027 and possibly in several tranches – the entire shareholding owned by IVSP. As a result, ECS would therefore acquire the control over Grey and indirectly the control over IVSG.

The Chairman of the Board of Directors

Giuseppe Lavazza





LAVAZZA GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

ACCOUNTING STATEMENTS

Consolidated Statement of Financial Position

€ thousand	NOTES	31.12.2023	31.12.2022
Goodwill	10.1	1,188,639	975,223
Other intangible assets	10.2	503,518	436,006
Rights of use	10.3	216,684	156,934
Property, plant and equipment	10.4	615,882	593,173
Investments in other companies	10.5	60,200	33,720
Non-current financial assets	10.6	37,205	59,707
Deferred tax assets	10.7	85,993	76,572
Other non-current assets	10.8	5,247	4,116
Total non-current assets		**2,713,368**	**2,335,451**
Inventories	10.9	561,600	648,403
Trade receivables	10.10	307,850	270,931
Current tax receivables	10.11	41,158	31,811
Other current assets	10.8	76,706	104,287
Current financial assets	10.6	438,262	379,485
Cash and cash equivalents	10.12	199,985	330,503
Total current assets		**1,625,561**	**1,765,420**
Assets held for sale		**27**	**22,983**
TOTAL ASSETS		**4,338,956**	**4,123,854**
Share capital	10.13	25,090	25,090
Reserves	10.13	2,494,614	2,459,652
Profit for the year		67,777	94,440
Equity attributable to the Group		**2,587,481**	**2,579,182**
Equity attributable non-controlling interests	10.13	910	1,264
Profit/(loss) for the year attributable to non-controlling interests		90	117
TOTAL EQUITY		**2,588,481**	**2,580,563**
Non-current financial liabilities	10.14	618,042	299,429
Right-of-use liabilities, non current	10.15	151,009	114,017
Provisions for employee benefits	10.16	70,719	61,632
Provisions for future risks and charges	10.17	84,708	86,247
Deferred tax liabilities	10.7	119,827	79,238
Other non-current liabilities	10.20	113	659
Total non-current liabilities		1,044,418	641,222
Current financial liabilities	10.14	161,913	201,650
Right-of-use liabilities, current	10.15	35,107	17,564
Trade payables	10.19	337,972	500,220
Provisions (current portion)	10.17	42,242	79,500
Current tax payables	10.18	3,047	2,706
Other current liabilities	10.20	125,776	97,540
Total current liabilities		**706,057**	**899,179**
FV LIABILITIES HELD FOR SALE		**-**	**2,890**
TOTAL LIABILITIES		**4,338,956**	**4,123,854**

Consolidated Statement of Profit or Loss

€ thousand	NOTE	YEAR 2023	YEAR 2022
Net revenues	11.1	3,068,901	2,715,466
Cost of sales	11.2	(2,163,576)	(1,794,767)
GROSS PROFIT		**905,325**	**920,699**
Promotional and advertising costs	11.3	(177,257)	(212,071)
Selling costs	11.4	(263,137)	(203,242)
General and administrative expenses	11.5	(325,662)	(287,855)
Research and development costs	11.6	(15,327)	(16,559)
Other operating income/(expense)	11.7	(13,978)	(28,056)
OPERATING PROFIT		**109,964**	**172,916**
Non-recurring income/(expense)	11.7	(5,711)	(2,045)
Income/(losses) for investments in JVs and associates	11.7	(7,474)	(11,258)
PROFIT BEFORE THE FINANCIAL COMPONENT AND TAXES		**96,779**	**159,613**
Financial income/(expense)	11.9	(9,894)	(40,547)
Dividends and results from investments	11.9	514	921
PROFIT BEFORE TAXES		**87,399**	**119,987**
Income taxes for the year	11.10	(19,532)	(25,430)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**67,867**	**94,557**
Profit/(loss) from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		**67,867**	**94,557**
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**90**	**117**
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**67,777**	**94,440**

Consolidated Statement of Comprehensive Income

€ thousand	YEAR 2023	YEAR 2022
PROFIT/(LOSS) FOR THE YEAR	**67,867**	**94,557**
Other components of comprehensive income that will be subsequently reclassified to profit / loss for the year (net of taxes):		
Translation differences of foreign financial statements	(20,750)	25,715
Gain/(Loss) from hedging derivatives (cash flow hedge)	5,229	(40,700)
Gain/(Loss) from securities	-	(903)
Other components of comprehensive income that will be subsequently reclassified to profit/(loss) for the year, net of taxes	**(15,521)**	**(15,887)**
Other components of comprehensive income that will not be subsequently reclassified to profit / loss for the year (net of taxes):		
Gain/(Loss) from revaluation of defined benefit plans	(5,160)	17,432
Other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year, net of taxes	**(5,160)**	**17,432**
TOTAL COMPONENTS OF OTHER COMPREHENSIVE INCOME, NET OF TAXES	**(20,681)**	**1,545**
TOTAL PROFIT/(LOSS) NET OF TAXES	**47,186**	**96,102**
Attributable to:		
Equity holders of the Parent	47,098	95,158
Non-controlling interests	88	121

Consolidated Statement of Cash Flows

€ thousand	2023	2022
NET PROFIT	**67,867**	**94,557**
Income taxes	19,532	25,430
Financial expense - income	14,562	4,735
Value adjustments to financial assets/liabilities	(7,719)	29,979
RESULT BEFORE TAXES, INTEREST AND ADJUSTMENTS TO FINANCIAL ASSETS	**94,242**	**154,701**
Gains - losses from disposal of assets	152	3,674
Additions to provisions, employee benefits and other non-monetary components	55,432	56,512
Amortisation, depreciation and write-downs	166,314	152,235
RESULT ADJUSTED FOR NON-MONETARY COMPONENTS	**316,140**	**367,122**
Change in trade receivables	(32,852)	(13,467)
Change in inventories	116,001	(205,629)
Change in trade payables	(210,812)	98,208
Change in other receivables/payables	45,904	(29,980)
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	**234,381**	**216,254**
Taxes paid	(18,556)	(60,186)
Use of provisions and indemnities paid	(85,230)	(39,945)
Interest and dividends collected, interest (paid)	(13,201)	(890)
CASH FLOWS FROM OPERATING ACTIVITIES	**117,394**	**115,233**
Purchases of property, plant and equipment	(111,335)	(101,616)
Purchases of intangible assets	(23,538)	(22,053)
Change in current financial assets	(13,790)	(37,991)
Change in non-current financial assets	14,127	11,076
Change in derivatives	2,574	(58,017)
Disposals (Acquisitions) of other equity investments	(304,865)	(44,403)
CASH FLOWS FROM INVESTING ACTIVITIES	**(436,827)**	**(253,004)**
New bank loans and payables		
Net reimbursement of bank loans and payables	242,383	(171,412)
Net reimbursement of right-of-use liabilities	(14,555)	(18,601)
Dividends paid	(39,269)	(43,138)
CASH FLOWS FROM FINANCING ACTIVITIES	**188,559**	**(233,151)**
Cash and cash equivalents classified to assets available for sales	-	(3,655)
Exchange rate effect	356	(1,482)
CASH FLOWS GENERATED (USED)	**(130,518)**	**(376,059)**
Cash and cash equivalents at year-start	**330,503**	**706,562**
Cash and cash equivalents at year-end	**199,985**	**330,503**

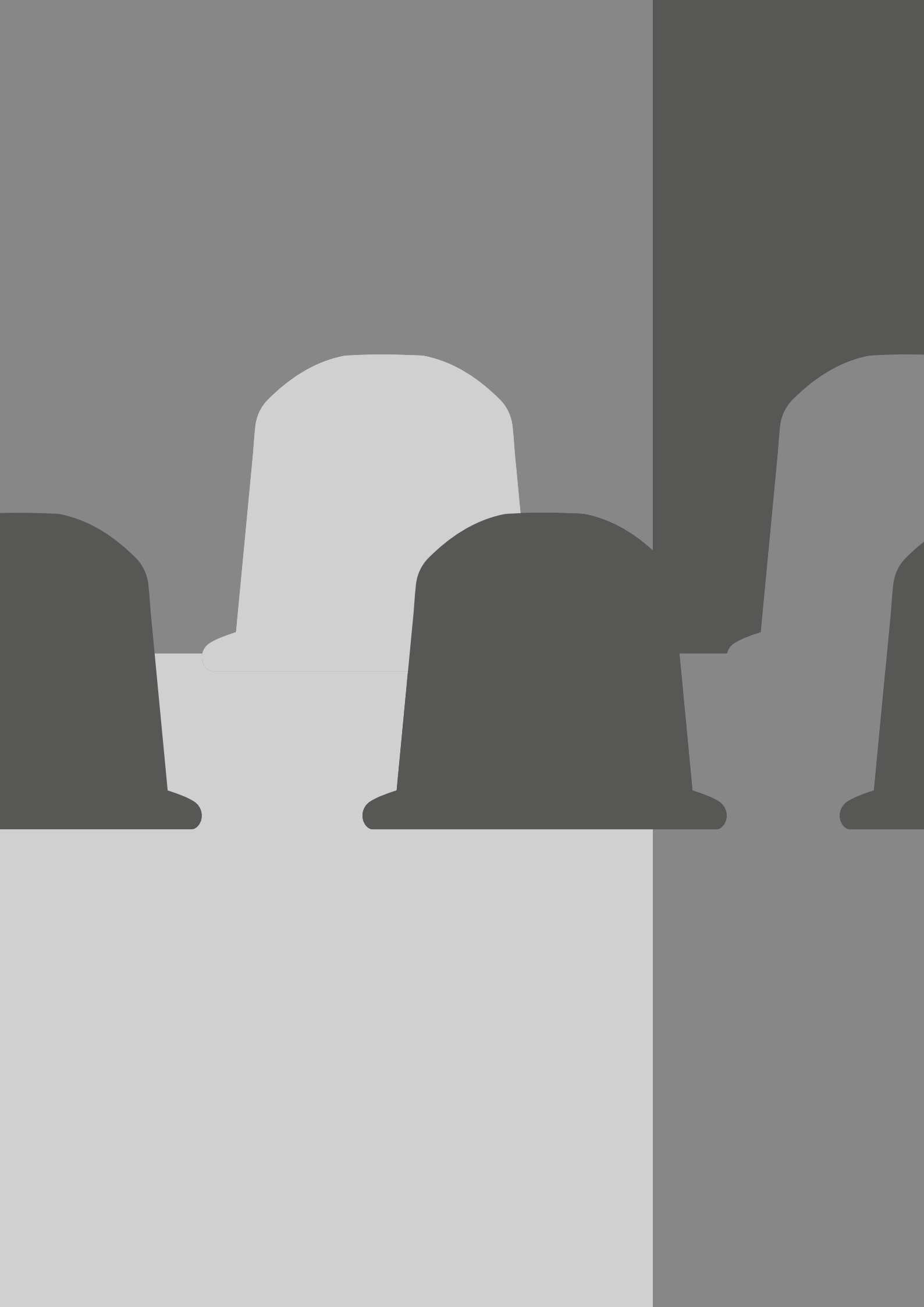
Consolidated Statement of Changes in Equity

MOVEMENTS IN EQUITY	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER CAPITAL RESERVES	RETAINED EARNINGS	GAIN/(LOSS) FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)
Balance at 1 January 2023	**25,090**	**9,134**	**(17,733)**	**636,143**	**1,794,466**	**1,564**
Profit for the year	-	-	-	-	67,777	-
Other components of comprehensive income	-	-	-	-	-	5,229
Total comprehensive profit/ (loss) for the year	**-**	**-**	**-**	**-**	**67,777**	**5,229**
Option rights	-	-	-	-	-	-
Payment of dividends	-	-	-	-	(38,855)	-
Reclassifications - other movements	-	-	-	18	(4,722)	(4)
Balance at 31 December 2023	**25,090**	**9,134**	**(17,733)**	**636,161**	**1,818,666**	**6,789**

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

GAIN/(LOSS) 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
14,260	**9,172**	**30,773**	**(7,063)**	**83,376**	**2,579,182**	**1,381**	**2,580,563**
-	-	-	-	-	67,777	90	67,867
(5,158)	-	(20,750)	-	-	(20,679)	(2)	(20,681)
(5,158)	**-**	**(20,750)**	**-**	**-**	**47,098**	**88**	**47,186**
-	-	-	-	-	-	-	-
-	-	-	-	-	(38,855)	(417)	(39,272)
2	-	4,762	-	-	56	(52)	4
9,104	**9,172**	**14,784**	**(7,063)**	**83,376**	**2,587,481**	**1,000**	**2,588,481**

GAIN/(LOSS) 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
(3,169)	**10,075**	**5,077**	**-**	**83,376**	**2,530,400**	**3,594**	**2,533,994**
-	-	-	-	-	**94,440**	117	**94,557**
17,429	(903)	25,715	-	-	**1,541**	4	**1,545**
17,429	**(903)**	**25,715**	**-**	**-**	**95,981**	**121**	**96,102**
-	-	-	-	-	-	-	-
-	-	-	-	-	(42,750)	(388)	(43,138)
-	-	(19)	(7,063)	-	(4,449)	(1,946)	(6,395)
14,260	**9,172**	**30,773**	**(7,063)**	**83,376**	**2,579,182**	**1,381**	**2,580,563**





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

The publication of the Consolidated Financial Statements of Luigi Lavazza S.p.A. (the Parent Company) for the year ended 31 December 2023 has been authorised by the Board of Directors on 26 March 2024. 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 2023 have been prepared on a going-concern basis.

2. ACCOUNTING STANDARDS

2.1 Principles of preparation of the Consolidated Financial Statements

The Group's Consolidated Financial Statements at 31 December 2023 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 2023 Consolidated Financial Statements have been prepared by treating the business as a going concern, inasmuch as it may reasonably be expected that the Lavazza Group will continue to operate for the foreseeable future with a time horizon of over twelve months. For further details, reference should be made to the Directors' Single Report on Operations.

3. CONSOLIDATION AREA AND CHANGES

The Consolidated Financial Statements include the financial statements at and for the year ended 31 December 2023 of Luigi Lavazza S.p.A., the Parent Company, and of the subsidiaries in 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 2023, the consolidation area changed compared with the previous year as a result of the following transactions:

- acquisition at 31 March 2023 of a 93.18 % interest in the MaxiCoffee Group through the company MaxiCoffee Group S.a.s (formerly E- Coffee Solutions France S.a.s.) established at the end of 2022. In October 2023, a further 6.11% interest was acquired, thus bringing the stake in the MaxiCoffee Group S.a.s. to 99.29%. The MaxiCoffee Group consists of 18 companies, controlled by MaxiCoffee S.a.s., which is in turn a subsidiary of the MaxiCoffee Group S.a.s. The MaxiCoffee Group was consolidated at the acquisition date using the line-by-line method, and therefore it contributed for nine months (from April to December) to the operating performance of the Lavazza Group;

- acquisition in October 2023 of a 100% interest in the company Stirlingshire Vending (Scotland) Limited by Lavazza Professional UK Ltd., consolidated using the line-by-line method;

- sale in January 2023 of a 76% interest in the company Fresh and Honest Café Limited for the remaining 24% interest, the investee was evaluated using the equity method in the financial statements at 31 December 2023. It should be noted that in the financial statements at 31 December 2022 the assets and liabilities relating to Fresh and Honest Café Limited had been adjusted to the related fair value and classified among the assets/liabilities held for sale.

It should also be noted that Lavazza Professional Holding North America Inc (currently Lavazza North America Inc), its subsidiary Lavazza Professional North America LLC, and Lavazza Premium Coffees Corp were merged effective 1 January 2023.
At the date of approval of these financial statements, the subsidiaries Merrild Kaffee ApS and Merrild Baltics SIA changed their name into Lavazza Denmark ApS and Lavazza Baltics SIA, respectively.
The following table provides a detail of consolidated companies, associates and other minor investees.

COMPANY NAME	REGISTERED OFFICE		SHARE CAPITAL	% HELD DIRECTLY	% HELD INDIRECTLY	% HELD BY THE GROUP
PARENT COMPANY:						
Luigi Lavazza S.p.A.	Turin	EUR	25,090,000			
COMPANIES CONSOLIDATED USING THE LINE-BY-LINE METHOD:						
Nims S.p.A.	Padua	EUR	3,000,000	97		100
Lavazza France S.a.s.	Boulogne	EUR	21,445,313	100		100
Carte Noire S.a.s.	Boulogne	EUR	103,830,406	100		100
Carte Noire Operations S.a.s.	Lavérune	EUR	28,523,820		100	100
Lavazza Kaffee G.m.b.H.	Vienna	EUR	218,019	100		100
Lavazza Deutschland G.m.b.H.	Frankfurt	EUR	210,000	100		100
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
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
Lavazza Denmark ApS	Middelfart	DKK	50,000	100		100
Lavazza Baltics SIA	Line	EUR	2,828		100	100
Lavazza Professional France	Roissy en France	EUR	279,706		100	100
Lavazza North America Inc.	Wilmington, Delaware	USD	n.a.	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	1,173,816		100	100
MaxiCoffee Group S.a.s. (formerly E-Coffee Solutions France S.a.s.)	Boulogne	EUR	162,056,067		99	99
E- Coffee Solutions S.r.l.	Turin	EUR	1,000,000	100		100
MaxiCoffee Support S.a.s.	Gardanne	EUR	81,044,551		99	99
MaxiCoffee Solutions Sud S.a.s.	Gardanne	EUR	7,000,000		99	99
MaxiCoffee Solutions Est S.a.s.	Pont-Saint-Vincent	EUR	5,000,000		99	99
MaxiCoffee Solutions Ara S.a.s.	Neyron	EUR	1,922,400		99	99
MaxiCoffee Solutions Nord S.a.s.	Neuville En Ferrain	EUR	8,598,956		99	99
MaxiCoffee Solutions IDF S.a.s.	Gonesse	EUR	6,179,124		99	99
MaxiCoffee Solutions Ouest S.a.s.	Noyal-Chatillon-Sur-Seiche	EUR	5,381,376		99	99
MaxiCoffee Grands Comptes S.a.s.	Parigi	EUR	1,002,000		99	99
MaxiCoffee Shop and Store SASU	Gardanne	EUR	1,247,200		99	99
Intui Sense S.a.s.	Gemenos	EUR	600,000		99	99
MaxiCoffee Solutions Service S.a.s.	Gardanne	EUR	200,000		99	99
MaxiCoffee Shop S.a.s.	Mios	EUR	683,200		99	99
MaxiCoffee Online S.a.s.	Mios	EUR	15,039,104		99	99
Immobiliere MaxiCoffee SARL	Gardanne	EUR	50,000		99	99
MaxiCoffee École Café SASU	Mios	EUR	150,100		99	99
MaxiCoffee Factory SASU	Mios	EUR	100		99	99
MaxiCoffee S.a.s.	Gardanne	EUR	71,060,720		99	99
Daltys Coffee & Food SAS	Gardanne	EUR	2,583,547		99	99
Stirlingshire Vending (Scotland) Limited	Alloa	GBP	100		100	100
COMPANIES CONSOLIDATED USING THE EQUITY METHOD:						
Y&L Coffee Ltd	Hong Kong	USD	120,000,000	35		35
Ediwen G.m.b.H.	Otterfing	EUR	554,700		20	20
OTHER INVESTMENTS:						
Lavazza Maroc S.a.r.l.	Casablanca	MAD	10,000	100		100
Lavazza Trading (Shenzhen) Co. Ltd	Shenzhen	CNY	8,201,500	100		100
International Coffee Partners G.m.b.H.	Hamburg	EUR	175,000	20		20
INVESTMENTS VALUED AT FAIR VALUE:						
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.
DAREA SA	Périgny	EUR	n.a.		n.a.	n.a.
Crédit Agricole Alpes Provence	Aix-en - Provence	EUR	n.a.		n.a.	n.a.
PRODIA+ S.a.s.	Fleury Les Aubrais	EUR	n.a.		n.a.	n.a.
Idroelettrica S.c.r.l.	Aosta	EUR	50,000	0.1		0.1

With regard to the acquisition of the MaxiCoffee Group, on 31 March 2023 the Lavazza Group announced that it acquired an about 93% interest in the French Group, leader in France in the vending machine sector and the e-commerce of coffee-related products. In addition to the about 93% interest, the Lavazza Group subscribed a put/call option with minority shareholders (i.e., the Chairman and several top managers of MaxiCoffee) that will allow the Lavazza Group to increase its interest in MaxiCoffee up to 100%.
With approximately 1,500 employees, the French Group has a turnover of about €300 million and targets both private customers and commercial businesses through its e-commerce platform, a network of 60 commercial agencies throughout France, its Écoles du Café and its concept stores. The platform offers a range of 8 thousand products from more than 350 different coffee brands (beans, ground and capsules) and a wide range of coffee machines, coffee makers, grinders and accessories.
With this acquisition, the Group forged ahead with its strategy for international expansion and consolidation in key markets such as France.
The consideration originally paid for the acquisition, at 31 March 2023, of the controlling interest in the MaxiCoffee Group amounted to approximately €153 million. In October 2023, the put/call option — originally subscribed for €10 million with the main minority shareholder and former Chairman of the MaxiCoffee Group — which allowed the Lavazza Group to increase its interest to 99.29%, was exercised for an amount of approximately €10.5 million. Before exercising said option, the interest was adjusted to the related fair value through recognition in profit or loss of a €0.5 thousand financial expense.

The above-mentioned business combination falls within the application of the IFRS 3 and was included in the Consolidated Financial Statements of the Lavazza Group according to the acquisition method criteria.

The following table, expressed in Euro million, shows the consideration paid together with the value of the assets acquired and liabilities assumed at the acquisition date:

Non-current assets	**318.50**
Current assets	111.80
Total assets	**430.30**
Non-current liabilities	97.20
Provisions for employees	1.80
Current liabilities	234.30
Total liabilities	**333.30**
Total net assets acquired	**97.00**
Goodwill recognised in the MaxiCoffee Group	(215.40)
Purchase price (including option debt)	(163.50)
Difference to be allocated	**281.90**
MaxiCoffee brand/trademark	68.60
Customer relations	9.80
Property, plant and equipment	2.30
Deferred taxes on price allocation	(20.80)
Goodwill	**222.00**

The Group tasked independent experts with assessing the fair value of the net assets acquired and liabilities assumed as a result of the business combination.
The main assets identified in relation to the business combination are:

- "Customer relations" (€9.8 million), the fair value of which was determined using a statistical approach based on the Multi-Period Excess Earnings Method, deemed the most appropriate methodology since it reflects the present value of the operating income generated by the customer portfolio over its lifetime;

- "MaxiCoffee brand" (€68.6 million), the fair value of which was determined on the basis of an estimate of the figurative royalty rate obtained by applying the "33% Rule", commonly accepted and used in valuation practice and based on the assumption that 33% of a company's profitability may be attributed to the value of its primary intangible asset;

- greater value attributed to the item "Land, buildings and equipment" (€2.3 million), the fair value of which was estimated using the market comparison method.

In accordance with IFRS 3, the difference between the consideration paid and the net assets acquired, for the portion not already allocated to other identified assets, was recognized in goodwill.
The fixed assets identified under the business combination, including goodwill, mostly related to the spread of automatic vending machines in the French territory, and above all to the expansion of the e-commerce channel, used primarily in France. Accordingly, the goodwill and all the net assets identified under the business combination have been attributed to the France CGU.

4. CONSOLIDATION CRITERIA

The Consolidated Financial Statements include the financial statements of Luigi Lavazza S.p.A. and its subsidiaries at 31 December 2023. 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:

	2023		2022	
CURRENCY	**AVERAGE EXCHANGE RATE**	**YEAR-END**	**AVERAGE EXCHANGE RATE**	**YEAR-END**
Argentine Peso (*)	894.54	894.54	189.70	189.70
Australian Dollar	1.63	1.63	1.52	1.57
Brazilian Real	5.40	5.36	5.44	5.64
Canadian Dollar	1.37	1.44	1.37	1.44
Danish Krone	7.45	7.45	7.44	7.44
Pound Sterling	0.89	0.87	0.89	0.89
Indian Rupee	89.30	91.90	82.69	88.17
Japanese Yen	151.99	156.33	138.02	140.66
Swedish Krona	11.48	11.10	10.63	11.12
US Dollar	1.08	1.11	1.05	1.07

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

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

Business 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 that 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.
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.

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.
The incremental borrowing rate (IBR) used for discounting the financial debt is calculated as follows:

- using the interest rates indicated in the lease contracts, where present;

- the discount rate used to measure the value of the lease liabilities for the lease contracts with implicit interest rate takes account of the country risk, the currency, the term of the lease contract and the Group's credit risk.

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 are recognised at nominal value, which is substantially equal to the amortised cost.

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.

Financial assets are not reclassified following their initial recognition, unless the Group changes its business model with regard to the management of said assets. In such case, all financial assets concerned are reclassified on the first day of the first next financial year following the business model change.

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.

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 include 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 include 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.

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.

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:

- 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.

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.

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, or in accordance with IFRS 15. 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.

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, the IFRS that entered into force on 1 January 2023 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.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS AT 1 JANUARY 2023

The amendments are summarised here below:

AMENDMENTS TO IFRS 17 – INSURANCE CONTRACTS: INITIAL APPLICATION OF IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION

On 8 September 2022, Commission Regulation (EU) 2022/1491 incorporating several amendments relating to the presentation of comparative information regarding financial assets upon initial application of IFRS 17 – Insurance Contracts.
The amendment adds a transition option that allows an entity to apply an optional classification overlay in the comparative period(s) presented upon initial application of IFRS 17. The overlay permits all financial assets – including those held in relation to assets not connected to contracts within the scope of application of IFRS 17 – to be classified, instrument by instrument, in the comparative period(s), so as to align with how the entity expects the assets to be classified for the initial application of IFRS 9. The overlay shall be applied by the entities that have already applied IFRS 9 or that will apply it upon application of IFRS 17.
IFRS 17, incorporating the amendment, became effective for the years beginning on or after 1 January 2023.
The adoption of these amendments did not impact the Consolidated Financial Statements at 31 December 2023.

AMENDMENTS TO IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

On 2 March 2022, Commission Regulation (EU) 2022/357 was issued, incorporating several amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, in which it introduces a new definition of "accounting estimates". In the amended standard, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."
The amendments clarify what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors.
The amendments became effective for the years beginning on or after 1 January 2023.
The adoption of these amendments did not impact the Consolidated Financial Statements at 31 December 2023.

AMENDMENTS TO IAS 12 – INCOME TAXES: DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

On 11 August 2022, Commission Regulation (EU) 2022/1392 was issued incorporating several amendments to IAS 12 – Income Taxes.

The amendments clarify how companies shall recognise deferred tax related to leases and decommissioning/restoration costs.

IAS 12 specifies how a company is to account for income taxes, included deferred taxes, which represent the amounts of taxes payable or recoverable in the future.

The amendments in question require an entity to recognise deferred taxes on certain transactions (e.g., leases and decommissioning and restoration costs) that give rise to taxable and deductible temporary differences of equal amount upon initial recognition.

According to IAS 12, in certain circumstances, companies are exempt from recognising deferred taxes when they recognise assets or liabilities for the first time.

In view of the uncertainty resulting from the fact that the exemption applies to lease contracts and decommissioning/restoration obligations, the IASB issued these limited-scope amendments to permit the Standard to be consistently applied.

Under the amendments in question, the exemption established by the Standard would not apply to leases and to decommissioning/restoration obligations – transactions for which companies must therefore recognise both a deferred tax asset and a deferred tax liability.

The amendments became effective as of 1 January 2023.

The adoption of said amendments entailed the recognition of deferred tax assets and liabilities with regard to the leases of the machines of the MaxiCoffee Group companies.

AMENDMENTS TO IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

On 2 March 2022, Commission Regulation (EU) 2022/357 was issued, incorporating certain amendments to IAS 1 – Presentation of Financial Statements, in which guidelines and examples are provided to help entities perform materiality judgements for the purposes of disclosure of accounting policies.

The IASB also issued amendments to "IFRS Practice Statement 2 – Making Materiality Judgements (the PS)" to support the amendments to IAS 1, explaining and demonstrating the application of the "four-step materiality process" to disclosure of accounting policies.

In particular, the amendments are designed to help entities provide more useful accounting policy disclosure through:

- replacement of the requirement that entities must disclose their "significant" accounting policies with a requirement that they are to disclose their "material" accounting policies

and

- the introduction of guidelines concerning how entities apply the concept of "materiality" in deciding on accounting policy disclosure.

The amendments became effective for the years beginning on or after 1 January 2023.

The adoption of these amendments did not impact the Consolidated Financial Statements at 31 December 2023.

AMENDMENTS TO IAS 12 — INCOME TAXES: INTERNATIONAL TAX REFORM — PILLAR TWO MODEL RULE

On 8 November 2023, Commission Regulation (EU) 2023/2468 was issued incorporating several amendments to IAS 12 – Income Taxes: International Tax Reform – Pillar Two Model Rules. The amendments introduce:

- a mandatory temporary exception to the obligation to recognise deferred taxes arising from the implementation of Pillar Two model rules

and

- specific disclosure requirements for the entities concerned to help users of the financial statements to better understand the exposure of an entity to income taxes arising from the application of Pillar Two rules.

The amendments clarify that IAS 12 applies to income taxes arising from tax law in implementation of the "Pillar Two Model" rules published by the OECD (Organisation for Economic Co-operation and Development; these rules apply to multinational enterprises (MNEs) with turnover in excess of €750 million at the consolidated level and aim to ensure a minimum level of taxation in multinational groups). Such tax law, and the income taxes arising from it, are referred to as "Pillar Two legislation" and "Pillar Two income taxes", respectively.
The amendments state that the temporary exception provides entities with an exemption from recognising deferred taxes in relation to this new, complex tax legislation, granting the parties concerned the time to assess its implications.
The Group applied the mandatory temporary exception to recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes arising from the recognition and disclosure of taxes deferred retroactively with respect to the publication of the Amendments for the year ended 31 December 2023.
The Group monitors the introduction of the Pillar Two legislation in the various countries where it operates.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLICABLE

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

	APPLICATION MANDATORY AS OF
New Standards/Interpretations not yet endorsed by the EU	
Amendments to IAS 7 – Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	01.01.2024
Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates	01.01.2025
New Standards/Interpretations endorsed by the EU but not yet effective	
Amendments to IAS 1 – Presentation of Financial Statements – Non-current Liabilities with Covenants	01.01.2024
Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	01.01.2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	01.01.2024

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

7. ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements and related Notes requires management to make estimates and assumptions based also on subjective judgements, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate.
Such estimates have an effect on the reported amount of assets and liabilities and the amount of revenues and costs during the reporting period.

The key assessment procedures and assumptions concerning the future used by the management in the application of accounting processes and that can have significant effects on the items recognised in the Consolidated Financial Statements or for which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised below.

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 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.

Taxes

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

Defined benefit plans

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

Fair value measurement of financial instruments

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

Development costs

The Group capitalises costs for product development projects.
Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone in its development plan, and that the product being developed is clearly identifiable and controllable.
In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.
In 2023, the carrying amount of capitalised development costs was €0.1 million, compared to €5.2 million for the previous year.
Financial year 2022 had been characterised by intense development activity, the capitalised costs of which had chiefly referred to 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.

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 2023

	EQUITY ATTRIBUTABLE TO THE GROUP	PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP
Luigi Lavazza S.p.A. - separate financial statements based on Italian GAAP	**2,401,047**	**39,584**
IFRS / IAS adjustments Luigi Lavazza S.p.A.	129,206	18,782
Luigi Lavazza S.p.A. - based on IFRS/IAS	**2,530,253**	**58,366**
Difference between the carrying amount and the value of the portion of the book equity of the companies included in the consolidation scope	(305,168)	65,035
Elimination of dividends and results of equity investments	-	(45,834)
Consolidation difference for acquisitions	411,713	-
Other consolidation adjustments including intercompany profit	(49,317)	(9,790)
TOTAL	**2,587,481**	**67,777**

- 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.

- Consolidation differences 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.

- The other consolidation adjustments include the cancellation of intercompany profit, as well as other consolidation adjustments not recognised in the financial statements of the individual subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10.1 Goodwill

The following table shows the item "Goodwill" at 31 December 2022 and its change in the reporting year:

Balance at 31.12.2022	**975,223**
PPA	222,422
Reclassifications	200
Exchange delta and other changes	(9,206)
Balance at 31.12.2023	**1,188,639**

The change in goodwill on the previous year was mainly due to the allocation of the residual difference between the price paid and fair value deriving from the acquisition of the MaxiCoffee Group in 2023, determined on the basis of the purchase price allocation (PPA).
The other changes are mainly attributable to the exchange rate effects relating to the goodwill denominated in foreign currency, as well as to the consolidation difference arising from the acquisition of a 100% interest in Stirlingshire Vending Limited provisionally allocated to goodwill for €1.5 million.

The following table provides the breakdown of goodwill by CGU:

	31.12.2022	EXCHANGE RATES AND OTHER CHANGES	PPA	31.12.2023
CGU America	432,468	(11,927)	-	420,541
CGU France	419,804	264	222,422	642,490
CGU Italy	19,546	-	-	19,546
CGU Rest of Europe and Rest of world	103,405	2,657	-	106,062
Total	**975,223**	**(9,006)**	**222,422**	**1,188,639**

10.2 OTHER INTANGIBLE ASSETS

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

	BALANCE AT 31.12.2022	PPA	INCREASES	(DECREASES)	RECLASSIFICATIONS	EXCHANGE DELTA	CONSOLIDATION AREA DELTA	BALANCE AT 31.12.2023
Development costs								
Gross value	23,030	-	71	-	40	(12)	1,340	24,469
(Write-down provision)	(636)	-	-	-	-	-	-	(636)
(Accumulated amortisation)	(13,619)	-	(2,429)	-	-	9	(1,317)	(17,356)
Net value	**8,775**	**-**	**(2,358)**	**-**	**40**	**(3)**	**23**	**6,477**
Rights for industrial patents and rights for exploitation of intellectual property								
Gross value	18,664	-	-	-	-	-	-	18,664
(Write-down provision)	-	-	-	-	-	-	-	-
(Accumulated amortisation)	(3,559)	-	(2,015)	-	-	-	-	(5,574)
Net value	**15,105**	**-**	**(2,015)**	**-**	**-**	**-**	**-**	**13,090**
Concessions, licenses and similar rights								
Gross value	184,427	-	655	(170)	2,059	(171)	7,614	194,414
(Write-down provision)	(31)	-	-	-	-	(2)	-	(33)
(Accumulated amortisation)	(74,562)	-	(11,036)	119	-	159	(3,299)	(88,619)
Net value	**109,834**	**-**	**(10,381)**	**(51)**	**2,059**	**(14)**	**4,315**	**105,762**
Trademarks								
Gross value	511,270	68,600	-	-	-	(865)	-	579,005
(Write-down provision)	(311,037)	-	-	-	-	-	-	(311,037)
(Accumulated amortisation)	(794)	-	(3,363)	-	-	-	-	(4,157)
Net value	**199,439**	**68,600**	**(3,363)**	**-**	**-**	**(865)**	**-**	**263,811**
Total other intangible assets								
Gross value	166,785	9,800	1,511	(2,180)	23,134	(1,864)	11,892	209,078
(Write-down provision)	(1,891)	-	(1)	-	-	66	-	(1,826)
(Accumulated amortisation)	(75,592)	-	(20,355)	1,503	(173)	553	(8,971)	(103,035)
Net value	**89,302**	**9,800**	**(18,845)**	**(677)**	**22,961**	**(1,245)**	**2,921**	**104,217**
Fixed assets in process and advances								
Gross value	13,551	-	21,357	-	(24,825)	(1)	79	10,161
(Write-down provision)	-	-	-	-	-	-	-	-
Net value	**13,551**	**-**	**21,357**	**-**	**(24,825)**	**(1)**	**79**	**10,161**
Total intangible assets								
Gross value	917,727	78,400	23,594	(2,350)	408	(2,913)	20,925	1,035,791
(Write-down provision)	(313,595)	-	(1)	-	-	64	-	(313,532)
(Accumulated amortisation)	(168,126)	-	(39,198)	1,622	(173)	721	(13,587)	(218,741)
Net value	**436,006**	**78,400**	**(15,605)**	**(728)**	**235**	**(2,128)**	**7,338**	**503,518**

The change in other intangible assets was mainly attributable to the reallocation of the difference between the price paid and fair value (PPA) deriving from the acquisition of the MaxiCoffee Group for approximately €78 million. Intangible assets allocated referred to trademarks and customer relations, as shown in the table above, both amortised considering a useful life of 20 years.

The change in consolidation area included the intangible assets of the MaxiCoffee Group, chiefly relating to software and software licences.

The increase in the item "Fixed assets in process and advances" referred to ongoing orders relating to new software with a duration of several years. The reclassification was mainly due to the development of software projects for long-term use and costs for machinery technological innovation.
No material write-downs were recognised during the year.

IMPAIRMENT TEST OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and trademarks with indefinite useful lives acquired in business combinations (amounting to €1,189 million and €192 million, respectively) were allocated to the relevant 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 2028, 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%	1.4%
France	6.7%	1.4%
America	7.1%	1.9%
Rest of Europe and Rest of world	7.8%	2.1%

The discount rate was calculated as the average cost of capital (WACC) in Euro, according to a post-tax configuration, based on the weighted average cost of capital, calculated on the basis of the CAPM (Capital Asset Pricing Model) and the Group's borrowing costs.

As required by IAS 36, this rate was determined by reference to industry's operating risk level and the financial structure of a set of listed companies comparable to the Group in terms of risk profile and business sector.
The discount rate applied has been calculated to reflect the risk in the geographical areas in which the Group operates, taking the breakdown of EBITDA in the final year of the explicit forecast period (2028) 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 Units (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 €216,684 and referred for €216,531 to contracts for property, plant and equipment and for €153 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 31.12.2022	INCREASES	(DECREASES)	EXCHANGE DELTA	CONSOLIDATION AREA DELTA	BALANCE AT 31.12.2023
Right-of-use Land and buildings						
Gross value	72,495	6,582	(2,865)	121	14,062	90,395
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(24,658)	(10,050)	2,171	72	-	(32,465)
Net value	**47,837**	**(3,468)**	**(694)**	**193**	**14,062**	**57,930**
Right-of-use Leased buildings						
Gross value	115,844	-	-	-	-	115,844
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(19,539)	(3,510)	-	-	-	(23,049)
Net value	**96,305**	**(3,510)**	**-**	**-**	**-**	**92,795**
Right-of-use Espresso machines and other commercial equipment						
Gross value	-	18,216	-	-	38,461	56,677
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	-	(7,259)	-	-	-	(7,259)
Net value	**-**	**10,957**	**-**	**-**	**38,461**	**49,418**
Right-of-use Industrial and commercial equipment						
Gross value	7,533	228	(433)	(8)	100	7,420
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(2,209)	(956)	329	7	-	(2,829)
Net value	**5,324**	**(728)**	**(104)**	**(1)**	**100**	**4,591**
Right-of-use Furniture and fittings						
Gross value	296	26	(167)	-	-	155
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(137)	(51)	62	-	-	(126)
Net value	**159**	**(25)**	**(105)**	**-**	**-**	**29**
Right-of-use Means of transport						
Gross value	17,189	7,850	(6,599)	56	805	19,301
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(10,333)	(5,779)	6,256	(29)	-	(9,885)
Net value	**6,856**	**2,071**	**(343)**	**27**	**805**	**9,416**
Right-of-use Electronic machines						
Gross value	394	1,074	(57)	(1)	1,703	3,113
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(205)	(624)	54	1	-	(774)
Net value	**189**	**450**	**(3)**	**-**	**1,703**	**2,339**
Right-of-use Other assets						
Gross value	23	15	-	1	-	39
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(14)	(12)	-	-	-	(26)
Net value	**9**	**3**	**-**	**1**	**-**	**13**
Total right-of-use Property, plant and equipment						
Gross value	213,774	33,991	(10,121)	169	55,131	292,944
(Write-down provision)	-	-	-	-	-	-
(Accumulated depreciation)	(57,095)	(28,241)	8,872	51	-	(76,413)
Net value	**156,679**	**5,750**	**(1,249)**	**220**	**55,131**	**216,531**

The change in rights of use was impacted by the effects of the acquisition of the MaxiCoffee Group for €55 million, chiefly relating to operating and finance lease contracts identified at the acquisition date and mainly attributable to coffee machines (€38.5 million), buildings (€14 million) and, for the remaining part, to electronic machines (about €2 million) and motor vehicles (about €1 million).
Net of the effects of the acquisition, the increases for the year mainly referred to:

- new finance lease contracts for coffee machines entered into by the MaxiCoffee Group for €18 million;
- new contracts relating to motor vehicles for about €8 million to replace the contracts ended during the year;
- office properties classified as rights of use land and buildings for €8 million.

The decreases for the period chiefly related to properties and vehicles used by employees for which the operating lease contract expired in the year.

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 2023	YEAR 2022
Amortisation and depreciation	(28,400)	(17,974)
Interest	(5,381)	(3,554)
Lease costs for short-term and modest value contracts	(7,938)	(4,871)

During the year, the Group recognised the payment of rights-of-use liabilities totalling €33 million, compared to €19 million for the previous year. The difference with respect to the previous year is explained by the inclusion of the MaxiCoffee Group, whose monetary outflow was recognised for nine months (from April 2023, the acquisition date, to December 2023).
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 31.12.2022	PPA	INCREASES	(DECREASES)	RECLASSIFI-CATIONS	EXCHANGE DELTA	CONSOLIDATION AREA DELTA	BALANCE AT 31.12.2023
Land and buildings								
Gross value	209,476	1,807	3,663	(142)	3,807	(830)	11,444	229,225
(Write-down provision)	(9,101)	-	(136)	-	-	-	-	(9,237)
(Accumulated depreciation)	(78,970)	-	(4,787)	121	-	(62)	(2,174)	(85,872)
Net value	**121,405**	**1,807**	**(1,260)**	**(21)**	**3,807**	**(892)**	**9,270**	**134,116**
Plant and machinery								
Gross value	893,033	352	1,587	(26,465)	43,020	(687)	-	910,840
(Write-down provision)	(6,405)	-	-	316	(1,247)	(1)	-	(7,337)
(Accumulated depreciation)	(595,637)	-	(33,877)	23,177	21	235	-	(606,081)
Net value	**290,991**	**352**	**(32,290)**	**(2,972)**	**41,794**	**(453)**	**-**	**297,422**
Industrial and commercial equipment								
Gross value	57,932	-	884	(705)	449	(5)	30,351	88,906
(Write-down provision)	(3,671)	-	-	-	-	-	-	(3,671)
(Accumulated depreciation)	(49,216)	-	(2,245)	318	-	5	(24,752)	(75,890)
Net value	**5,045**	**-**	**(1,361)**	**(387)**	**449**	**-**	**5,599**	**9,345**
Espresso machines and other commercial equipment								
Gross value	391,968	-	66,763	(27,675)	1,014	(2,414)	42,510	472,166
(Write-down provision)	(2,197)	-	6	559	-	-	-	(1,632)
(Accumulated depreciation)	(279,823)	-	(51,102)	23,971	-	1,535	(33,493)	(338,912)
Net value	**109,948**	**-**	**15,667**	**(3,145)**	**1,014**	**(879)**	**9,017**	**131,622**
Furniture and fittings								
Gross value	44,261	131	1,312	(583)	467	(39)	4,012	49,561
(Write-down provision)	(25)	-	6	-	-	-	-	(19)
(Accumulated depreciation)	(29,994)	-	(3,392)	651	(125)	81	(3,537)	(36,316)
Net value	**14,242**	**131**	**(2,074)**	**68**	**342**	**42**	**475**	**13,226**
Means of transport								
Gross value	1,144	-	-	(36)	-	(3)	189	1,294
(Write-down provision)	-	-	-	-	-	-	-	-
(Accumulated depreciation)	(981)	-	(30)	36	-	3	(124)	(1,096)
Net value	**163**	**-**	**(30)**	**-**	**-**	**-**	**65**	**198**
Electronic machines								
Gross value	40,890	-	1,857	(1,763)	636	(143)	531	42,008
(Write-down provision)	-	-	-	-	-	-	-	-
(Accumulated depreciation)	(33,367)	-	(3,153)	1,368	-	105	(518)	(35,565)
Net value	**7,523**	**-**	**(1,296)**	**(395)**	**636**	**(38)**	**13**	**6,443**
Other assets								
Gross value	157	-	-	(151)	-	(2)	521	525
(Write-down provision)	-	-	-	-	-	-	-	-
(Accumulated depreciation)	(155)	-	(3)	145	-	3	(513)	(523)
Net value	**2**	**-**	**(3)**	**(6)**	**-**	**1**	**8**	**2**
Fixed assets in process and advances								
Gross value	43,864	-	29,201	(196)	(49,753)	(92)	495	23,519
(Write-down provision)	(10)	-	-	-	-	(1)	-	(11)
Net value	**43,854**	**-**	**29,201**	**(196)**	**(49,753)**	**(93)**	**495**	**23,508**
Total property, plant and equipment								
Gross value	1,682,725	2,290	105,267	(57,716)	(360)	(4,215)	90,053	1,818,044
(Write-down provision)	(21,409)	-	(124)	875	(1,247)	(2)	-	(21,907)
(Accumulated depreciation)	(1,068,143)	-	(98,589)	49,787	(104)	1,905	(65,111)	(1,180,255)
Net value	**593,173**	**2,290**	**6,554**	**(7,054)**	**(1,711)**	**(2,312)**	**24,942**	**615,882**

Excluding the change in the consolidation area due to the acquisition of the MaxiCoffee Group of €25 million and the related purchase price allocation (PPA) of €2.3 million, the change in the item property, plant and equipment was mainly related to:

- renovation work on a building by Kicking Horse Coffee Co. Ltd for €3 million;
- purchase of coffee machines for €67 million (of which €22 million relating to Lavazza North America Inc, an investment to replace obsolete machines and support turnover growth);
- a €29 million increase in item "fixed assets in process and advances" relating to investments for adapting, upgrading and increasing the efficiency of the production lines and plants and machinery (chiefly at Luigi Lavazza S.p.A.).

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.
In addition, the impairment loss of €1.2 million on certain plant relating to the industrial site of Lavazza Professional UK Ltd, taken to the provision for risks and charges in the previous year, was reclassified to the provision for the write-down of plant and machinery.

10.5 Investments

Investments recognised in the Consolidated Financial Statements at 31 December 2023 were as follows:

	% HELD	31.12.2023	31.12.2022	CHANGES
Investments:				
a) Subsidiaries measured at cost				
Lavazza Maroc S.a.r.l.	100	1	1	-
Lavazza Trading (Shenzhen) Co.Ltd	100	1,000	1,000	-
Total subsidiaries measured at cost		**1,001**	**1,001**	**-**
b) Joint Ventures - associates measured at equity				
La Manufacture de Café Alain Ducasse SAS	50	-	134	(134)
Y&L Coffee Ltd	35	42,555	21,429	21,126
Fresh and Honest Café Limited	24	3,482	-	3,482
Ediwen G.m.b.H.	20	756	-	756
Total in joint ventures - associates measured at equity		**46,793**	**21,563**	**25,230**
c) Associates measured at cost				
International Coffee Partners G.m.b.H.	20	25	25	-
Total associates measured at cost		**25**	**25**	**-**
d) Other companies valued at FV				
Casa del Commercio e del 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	4,650	3,655	995
Clubitaly S.p.A.	4.12	6,815	6,536	279
Connect Ventures One LP	3	894	934	(40)
PRODIA+ S.a.s.	n.a.	5	-	5
DAREA SA	n.a.	9	-	9
Crédit Agricole Alpes Provence	n.a.	2	-	2
Immobilière 3 F (formerly Le Foyer du Fonctionnaire)	n.a.	-	-	-
Consorzio Nazionale Imballaggi	n.a.	-	-	-
Companies valued at FV through profit or loss		**12,381**	**11,131**	**1,250**
Total other companies valued at FV		**12,381**	**11,131**	**1,250**
Total		**60,200**	**33,720**	**26,480**

The interest in the Chinese associate Y&L Coffee Ltd, incorporated in 2020 to study and develop the Lavazza Coffee Shop concept in China, remained unchanged at 35%, while increasing in value due to a capital increase of €33 million, offset at year-end by the adjustment of the interest to the portion of equity attributable to the Group, recognising an operating loss of €6.8 million carried by the latter.

The interest in the company Fresh and Honest Café Limited, following the sale of the 76% interest in the year, was removed from the consolidation area using the line-by-line method and classified among associates for the residual share of 24% still owned by the Group. At the end of the year, it was adjusted to account for the value of the portion of equity attributable to the Group, recognising an operating loss of €483 million carried by the latter.

In the reporting year, a 20% interest was acquired in the company Ediwen G.m.b.H., a German distributor, for €857 thousand. 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 €101 million carried by the latter.

The investment in La Manufacture de Café Alain Ducasse SAS, 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 €134 thousand. This brought the value of investment to zero and to its sale at the end of December 2023 for a symbolic amount of €1.
During the year, Lavazza Capital S.r.l. took part in the capital increase of Clubitaly S.p.A., with the subscription of 278,815 shares for an amount of €279 thousand.

The interest in Tamburi Investment Partners did not change, except for the adjustment to fair value, which entailed a write-up of €995 thousand, as was also the case for the interest in Connect Venture One, which was written down by approximately €40 thousand.

The Group received no dividends distributed by the above-mentioned investees

The breakdown of investments in other companies is reported below:

OTHER INVESTMENTS VALUED AT FV THROUGH PROFIT OR LOSS

1 January 2022	**13,549**
Changes in consolidation area	(605)
Purchases	-
Total profit and losses recognised through Profit and Loss	(1,813)
31 December 2022	**11,131**
Changes in consolidation area	16
Purchases	279
Total profit and losses recognised through Profit and Loss	955
31 December 2023	**12,381**

Notes 10.21 and 10.22 provide further information in this regard.

10.6 Non-current and current financial assets

	31.12.2023	31.12.2022	CHANGES
Finance lease and other minor receivables	5,003	5,769	(766)
Financial trade receivables	15,445	10,435	5,010
Write-down provision for doubtful financial trade receivables	(3,609)	(3,375)	(234)
Total non-current financial receivables	**16,839**	**12,829**	**4,010**
Mutual funds and other non-current securities	86	1,325	(1,239)
Insurance policies	11	18,412	(18,401)
Derivatives and other hedging instruments	20,269	27,141	(6,872)
Non-current securities and non-current financial instruments	**20,366**	**46,878**	**(26,512)**
TOTAL NON-CURRENT FINANCIAL ASSETS	**37,205**	**59,707**	**(22,502)**

	31.12.2023	31.12.2022	CHANGES
Financial receivables from others	4,015	16,527	(12,512)
Financial trade receivables	18,317	20,393	(2,076)
Write-down provision for doubtful financial trade receivables	(4,386)	(4,428)	42
Financial receivables from companies controlled by Parent Companies	118,711	116,412	2,299
Total current financial receivables	**136,657**	**148,904**	**(12,247)**
Derivatives and other hedging financial instruments	598	4,442	(3,844)
Equity securities	31,322	20,391	10,931
Bonds	251,527	203,872	47,655
Certificates of deposit and other deposits >3 months	16,249	-	16,249
Mutual investment funds	1,900	1,869	31
Other current securities	9	7	2
Total current securities and current financial instruments	**301,605**	**230,581**	**71,024**
TOTAL CURRENT FINANCIAL ASSETS	**438,262**	**379,485**	**58,777**

FINANCIAL RECEIVABLES

Finance lease receivables amounted to €4 million overall and referred:

- for about €3.5 million to an 18-year finance lease contract entered into with Cofincaf S.p.A. and regarding a building located in Turin historical centre;

- for €455 thousand 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 €1 million to bring its value in line with the presumable realisable value.

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.p.A.'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:

	PROVISION FOR THE WRITE-DOWN OF FINANCIAL TRADE RECEIVABLES
Balance at 31.12.2022	**(7,803)**
Provisions	(301)
Uses	108
Reclassifications	-
Exchange rate delta	-
Balance at 31.12.2023	**(7,995)**

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

DESCRIPTION	2023		2022	
	FINANCIAL RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES	FINANCIAL RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES
Not yet due	32,587	(7,742)	29,237	(7,320)
Less than 30 days	-	-	2	-
30-90 days	1	-	6	(1)
Within one year	204	(26)	457	(62)
Within five years	483	(21)	584	(383)
Over five years	487	(206)	542	(37)
Breakdown of receivables by maturity	**33,762**	**(7,995)**	**30,828**	**(7,803)**
Write-down	(7,995)		(7,803)	
Total	**25,767**		**23,025**	

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.

Current financial receivables from others at year-end refer primarily to cash and cash equivalents given by Lavazza Capital to Azimut SGR under the asset management mandate in place.

In the previous year, the item had included approximately €12 million relating to cash and cash equivalents given by the Parent Company to financial intermediaries to be used for hedging transactions with derivative instruments.

FINANCIAL SECURITIES AND HEDGING FINANCIAL INSTRUMENTS

Securities classified as non-current financial assets referred 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.
Both were settled during the year.
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., in addition to the over 3-month term deposits arising from the acquisition of the MaxiCoffee Group for approximately €16 million.
Derivatives and other hedging instruments referred to the open positions in hedging derivatives at 31 December 2023 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 €85,993 thousand and €119,827 thousand, respectively, at 31 December 2023. Note 11.10 on income taxes provides further details in this regard.

10.8 Other non-current and current assets

	31.12.2023	31.12.2022	CHANGES
Guarantee deposits	4,541	3,257	1,284
Other non-current receivables	706	859	(153)
TOTAL OTHER NON-CURRENT ASSETS	**5,247**	**4,116**	**1,131**
Tax receivables	29,614	61,468	(31,854)
Advances to suppliers	2,332	6,463	(4,131)
Prepayments and accrued income	37,527	34,494	3,033
Other receivables	7,233	1,862	5,371
TOTAL OTHER CURRENT ASSETS	**76,706**	**104,287**	**(27,581)**

Tax receivables amounted to €29.6 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 capital goods L 160/2019 (€1.6 million), and L 160/2020 (€5.3 million), Research and Development, IT and Green IT L 160 and L 178 of 2019, 2020 and 2021 (€2.5 million).
They decreased 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 2022. 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.
Both VAT receivables and trade payables were paid in 2023.

The item "prepayments and accrued income" primarily refers to accrued income relating to commissions to agents of the subsidiary Nims S.p.A. (about €25 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

	31.12.2023	31.12.2022	CHANGES
Raw materials, ancillaries and consumables (gross value)	241,887	342,990	(101,103)
Write-down provision for raw materials, ancillaries and consumables	(3,705)	(3,879)	174
Raw materials, ancillaries and consumables (net value)	**238,182**	**339,111**	**(100,929)**
Work in process (gross value)	9,835	9,817	18
Write-down provision for work in progress	(1,455)	(1,000)	(455)
Work in process (net value)	**8,380**	**8,817**	**(437)**
Finished products and goods (gross value)	**337,600**	**322,892**	**14,708**
Write-down provision for finished products and goods	(23,123)	(23,798)	675
Finished products and goods (net value)	**314,477**	**299,094**	**15,383**
Advances	**561**	**1,381**	**(820)**
Total	**561,600**	**648,403**	**(86,803)**

The value of inventories declined by €87 million compared to the previous year. This change was chiefly attributable to the green coffee component, significantly impacted by the reduction of the volumes stocked.

As illustrated in greater detail in the section dedicated to commodity risk management in the Report on Operations, the rise in green coffee prices resulted at the beginning of 2023 in a 13% increase for Arabica and a 58% increase for Robusta.
In the first half of the year, Arabica prices neared and then exceeded 200 $cts/lb, reaching 205 $cts/lb in April to then return to values similar to those of late 2022 (188 $cts/lb) around the end of the year.
For Robusta, 2023 was a record year in terms of price increases: from 1,926 $/tonne for the first exchange position at the beginning of the year, the price reached 3,046 $/tonne on the last day of December, with a high of 3,179 $/tonne on 21 December.

At 31 December 2023, inventories were shown net of the write-down provision amounting to €28.3 million and substantially in line with the previous year (€29.2 million). The provision was set aside for obsolete and slow-moving materials, with particular reference to coffee machines and related spare parts, advertising material, plant spares and packaging.

10.10 Trade receivables

The following table provides a breakdown of the Group's trade receivables at 31 December 2023 and at 31 December 2022:

	31.12.2023	31.12.2022	CHANGES
Trade receivables <12 months	324,642	287,365	37,277
Provision for write-down of receivables	(16,792)	(16,434)	(358)
Total trade receivables	**307,850**	**270,931**	**36,919**

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.

The following table provides the breakdown of receivables by ageing and the related write-down provision for the years 2023 and 2022:

DESCRIPTION	2023		2022	
	TRADE RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES	TRADE RECEIVABLES	WRITE-DOWN PROVISION FOR EXPECTED FUTURE LOSSES
Not yet due	279,975	(5,662)	217,174	(6,259)
Less than 30 days	28,258	(671)	36,499	(217)
30-90 days	5,376	(438)	21,235	(1,116)
Within one year	6,343	(5,331)	7,752	(4,567)
Within five years	3,962	(3,962)	3,930	(3,500)
Over five years	728	(728)	775	(775)
Breakdown of receivables by maturity	**324,642**	**(16,792)**	**287,365**	**(16,434)**
Write-down	(16,792)		(16,434)	
Total	**307,850**		**270,931**	

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
31.12.2022	**(16,434)**
Provision for the year	(9,744)
Uses	11,019
Release to income	-
Adjustment for amounts in foreign currency	22
Change in consolidation area and other changes	(1,655)
31.12.2023	**(16,792)**

The provision for the write-down of receivables, defined as per IFRS 9, included a provision of €9.7 million and uses amounting to €11 million.

10.11 Current tax receivables

Current tax receivables of €41 million included receivables from the Parent Company of €33 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 €8 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 for income taxes mainly referred to receivables 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 2023 and at 31 December 2022 were broken down as follows:

	31.12.2023	31.12.2022
Bank and post office deposits	163,076	290,937
Bank deposits in foreign currencies	33,435	38,815
Cash and valuables on hand	3,474	751
TOTAL CASH AND CASH EQUIVALENTS	**199,985**	**330,503**

Cash and cash equivalents consisted of cash at bank and post-office accounts, term deposits with maturity under 3 months, as well as cash on hand and cheques held by logistic hubs, outside contractors and sales areas.
Foreign currency accounts amounted to approximately €33 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 2023, fully subscribed and paid-up share capital consisted of 25,090,000 ordinary shares, with a nominal value of €1 each. Share capital remained unchanged compared to the previous year.

TREASURY SHARES

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

OTHER CAPITAL RESERVES

This item mainly includes the other reserves recognised in the Financial Statements of the Parent Company that at 31 December 2023 were broken down as follows:

	31.12.2023	31.12.2022	CHANGES
Re. Law 576/75 *	28	28	-
Re. Law 72/83 **	268	268	-
Re. Law 408/90	25,096	25,096	-
Re. Law 413/91	5,681	5,681	-
Re. Law 342/2000 ***	103,048	103,048	-
Re. Law 448/2001	5,100	5,100	-
Re. Law 350/2003 ****	93,900	93,900	-
Re. Law 266/2005	70,400	70,400	-
Re. Law 185/2008	58,200	58,200	-
Total revaluation reserves	**361,721**	**361,721**	**-**
Legal reserve	5,018	5,000	18
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	-	-	-
Other reserves	**274,440**	**274,422**	**18**
TOTAL	**636,161**	**636,143**	**18**

* 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 2022 and 31 December 2023 were as follows:

CHANGES AT 31 DECEMBER 2022	GAIN/(LOSS) FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)	GAIN/(LOSS) FROM SECURITIES	TRANSLATION DIFFERENCES OF FOREIGN FINANCIAL STATEMENTS	GAIN/(LOSS) 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
Total	**(40,700)**	**(903)**	**25,715**	**17,429**	**1,541**

CHANGES AT 31 DECEMBER 2023	GAIN/(LOSS) FROM HEDGING DERIVATIVES (CASH FLOW HEDGE)	GAIN/(LOSS) FROM SECURITIES	TRANSLATION DIFFERENCES OF FOREIGN FINANCIAL STATEMENTS	GAIN/(LOSS) FROM REVALUATION OF DEFINED BENEFIT PLANS	TOTAL
Gains/(Losses) from the translation of financial statements denominated in currencies other than the Euro	-	-	(20,750)	-	(20,750)
Derivatives to hedge exchange-rate risk	4,559	-	-	-	4,559
Derivatives to hedge commodity risk	11,198	-	-	-	11,198
Interest rate swaps	(10,528)	-	-	-	(10,528)
Loss on AFS financial instruments	-	-	-	-	-
Actuarial changes on pension plans	-	-	-	(5,158)	(5,158)
Total	**5,229**	**-**	**(20,750)**	**(5,158)**	**(20,679)**

The gain from derivative instruments arising from the €16 million increase in the cash flow hedge reserve was due both to the effect of green coffee price risk hedging strategies (with a positive result due to the performance in market prices), whose economic impacts were deferred to 2024 (in conjunction with the accounting recognition of the supplies hedged) due to the application of hedge accounting, and to the foreign exchange derivative portfolio (due in particular to the performance of the US Dollar against the Euro).

The loss attributable to the decline in the reserve was instead due to the effect of interest rate risk hedging (interest rate swaps), as a result of market interest rates.

As may be seen from the balance of the di cash flow hedge reserve, shown in the consolidated statement of changes in equity, €7 million in minor hedging costs were suspended at 31 December 2023; they will be reversed in 2024, with a positive impact on the statement of profit or loss.

DISTRIBUTIONS MADE AND PROPOSED

During the year, the Parent Company distributed ordinary dividends in the amount of €38,855 thousand.
Proposed dividends on ordinary shares are subject to approval by the annual Shareholders' Meeting.

10.14 FINANCIAL LIABILITIES NON-CURRENT AND CURRENT

	31.12.2023	31.12.2022	CHANGES
Bank loans	616,811	299,393	317,418
Lease liabilities	-	-	-
Payables for options on the purchase of investments	1.202	-	1,202
Derivatives and other hedging instruments	29	36	(7)
Withholdings as guarantees for purchases of investments	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**618,042**	**299,429**	**318,613**

	31.12.2023	31.12.2022	CHANGES
Other short-term bank payables	29,270	25,739	3,531
Bank loans (current portion)	124,563	156,788	(32,225)
Payables to other lenders	-	-	-
Derivatives and other hedging instruments	8,024	19,123	(11,099)
Other liabilities	56	-	56
TOTAL CURRENT FINANCIAL LIABILITIES	**161,913**	**201,650**	**(39,737)**

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

- a corporate loan of €305 million relating to a corporate financing contract falling within the Sustainability-linked Loan category, entered into with a pool of four leading banking institutions in July 2021 and for which the Company decided to adopt a strategy to hedge its foreign exchange rate fluctuations through an Interest Rate Swap contract. The start of the capital repayment period has been set in 2024 and the principal falling due within one year amounts to €68 million, while the loan is scheduled to expire in 2026. The financing transaction has been linked to sustainability targets, which are monitored and measured annually and which allow for reductions in the interest rate pricing;

- a corporate loan bearing interest at a floating rate (3-month Euribor) for €351 million, relating to a corporate financing contract falling within the sustainability-linked loan category, entered into with a pool of five leading banking institutions in February 2023. The start of the capital repayment period has been set in 2026, while the loan is scheduled to expire in 2028. The financing transaction has been linked to sustainability targets, which are monitored and measured annually and which allow for reductions in the interest rate pricing;

- Bank loans totalling €39 million for 11 companies of the MaxiCoffee Group, of which €10 million falling due within one year. All loans bear interest at a fixed rate.

In the reporting year, the last accrued principal of the corporate loan taken out in 2018 was duly repaid for a total of €155 million. Therefore, at 31 December 2023 the loan was fully extinguished. This loan had been converted to a fixed rate by an interest rate swap transaction.

Short-term bank loans include the €46 million revolving credit facility used by the Parent Company during the year.

The other short-term financial liabilities refer to a €29 million loan for the subsidiary Cofincaf S.p.A.

The financial payable relating to the put/call option on the purchase of minority interests of the MaxiCoffee Group refers to the Lavazza Group's right for the purchase of the 0.71% interest held by third parties.

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 2025	MATURITY 2026	MATURITY 2027	MATURITY 2028	BEYOND
Bank loans	617	130	163	213	106	6
Total	**617**	**130**	**163**	**213**	**106**	**6**

Notes 10.21 and 10.22 provide further information on financial liabilities.

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

Non-current right-of-use liabilities amounted to €151 million, whereas current right-of-use liabilities were €35 million, of which €4.7 million referring to the lease agreement for the Nuvola Headquarters.
At year-end, they include liabilities arising from the MaxiCoffee Group for €62 million.
Right-of-use liabilities due after one year were broken down as follows:

DESCRIPTION	NON-CURRENT LIABILITIES	MATURITY 2025	MATURITY 2026	MATURITY 2027	MATURITY 2028	BEYOND
Lease liabilities for the Nuvola HQ	58	5	5	5	5	38
Other right-of-use liabilities	93	24	18	15	10	26
Total	**151**	**29**	**23**	**20**	**15**	**64**

10.16 Provisions for employee benefits

	SEVERANCE INDEMNITIES	PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	TOTAL PROVISIONS FOR EMPLOYEE BENEFITS
Balance at 31.12.2022	**20,744**	**40,888**	**61,632**
Increases	1,321	7,891	9,212
Uses/Adjustments	(248)	(1,694)	(1,942)
Other	-	-	-
Exchange rate delta	-	-	-
Changes in consolidation area	1,817	-	1,817
Balance at 31.12.2023	**23,634**	**47,085**	**70,719**

Provisions for employee benefits rose compared to 2022 chiefly due to the adjustment to actuarial values.
The change in the consolidation area referred to the inclusion of the MaxiCoffee Group.

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.
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 2023 in connection with employee termination indemnities and similar items.

Liabilities/(Assets) at 1 January 2023	**20,744**
Amounts included in the statement of profit or loss:	
Current service costs	671
Net interest	763
Other services	-
Total	**1,434**
Amounts included in the statement of comprehensive income:	
Gain/(Loss) from changes in actuarial assumption	1,317
Total	**1,317**
Other movements:	
Benefits paid	(1,198)
Benefits transferred	-
Curtailment	(50)
Exchange rate delta and change in consolidation scope	1,387
Total	**139**
Liabilities/(Assets) at 31 December 2023	**23,634**

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	2023
Discount rate	AA euro composite curve at 29 December 2023
Personnel turnover rate	1.5% - 4%
Expected inflation rate	3% 2024; 2.5% 2025 and afterwards

The following is a summary of the quantitative sensitivity analysis for the significant assumptions adopted at 31 December 2023.

DESCRIPTION	CHANGE INVESTIGATED	IMPACT OF INCREASE	IMPACT OF DECREASE
Discount rate	23,634	21,909	24,441
Personnel turnover rate	23,634	23,694	23,526
Expected inflation rate	23,634	21,602	23,376

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	2023
Within 12 months	2,087
From 1 to 4 years	5,106
Beyond 4 years	46,970
Total	**54,163**

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	2023
Interest rate	3.57%
Salary growth rate	3.25%
Expected inflation rate	2.60%
Expected mortality rate	RT 2018G

ASSUMPTIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	CHANGE INVESTIGATED	IMPACT OF INCREASE	IMPACT OF DECREASE
Interest rate	43,232	40,006	46,476
Salary growth rate	43,232	43,375	42,753
Expected inflation rate	43,232	45,116	41,173
Expected mortality rate	43,232	44,093	42,011

10.17 Provisions, non-current and current

The following table provides information on the movements of provisions at 31 December 2023:

	31.12.2022	PROVISIONS	USES	RECLASSI-FICATION	EXCHANGE RATE DELTA	CHANGE IN CONSOLIDATION AREA	31.12.2023
Provision for litigations	19,511	1,800	(1,761)	-	9	129	19,688
Provision for agents' customer compensation	2,618	398	(468)	-	-	-	2,548
Provision for product warranty	8,766	267	(515)	-	3	443	8,964
Other provisions - liabilities	55,353	11,177	(11,780)	(1,247)	1	4	53,508
Provisions for future risks and charges (non-current)	**86,248**	**13,642**	**(14,524)**	**(1,247)**	**13**	**576**	**84,708**
Provisions for bonuses and employee benefits to be paid	63,968	21,065	(58,592)	-	(167)	-	26,274
Other provisions	15,532	3,327	(3,600)	-	(6)	716	15,968
Provisions (current)	**79,500**	**24,392**	**(62,192)**	**-**	**(173)**	**716**	**42,242**

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 netting of legal and settlement agreement expenses incurred in the year, but related to disputes arising in previous years.
The provision for supplementary agents' customer compensation, created exclusively 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 of Nims S.p.A. attributable to coffee machine warranties and returns.

Other provisions for non-current future risks and charges of €54 million, the changes of which are chiefly determined by the adjustment of the pre-existing provisions in light of the related utilisations, 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 fundamental requirements of environmental directives and of 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.

Part of the other non-current provisions has been reclassified, for €1.2 million, to the provision for the write-down of plant and machinery in connection with the impairment of various plant relating to the Lavazza Professional UK industrial site, recognised under the provision for risks and charges in the previous year.

10.18 Current tax payables

Current tax payables amounted to €3 million and included tax payables to the parent company and other income tax payables. Payables to the parent company, amounting to €1.3 million, refer to the payables to the parent company, Finlav S.p.A., for IRES (corporate income tax) purposes by Group companies participating in the national tax consolidation programme.

10.19 Trade payables

The item amounted to €338 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 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 €9.8 million.

10.20 Other non-current and current liabilities

	31.12.2023	31.12.2022	CHANGES
OTHER NON-CURRENT LIABILITIES	**113**	**659**	**(546)**
VAT payables	6,374	4,253	2,121
Withholdings to be paid as withholding agents	5,474	4,502	972
Other miscellaneous tax payables <12	8,284	6,986	1,298
Total other current tax payables	**20,132**	**15,741**	**4,391**
Advances	32,869	28,686	4,183
Payables to social security institutions <12	17,017	10,705	6,312
Payables to personnel	33,576	29,962	3,614
Payables to shareholders and bondholders	901	627	274
Other payables to third parties	6,478	935	5,543
Total other current payables	**90,841**	**70,915**	**19,926**
14th month salary and holiday leave	4,326	3,961	365
Other operating accrued expenses	103	42	61
Total accruals	**4,429**	**4,003**	**426**
Deferred lease liabilities	240	303	(63)
Other deferred income	10,134	6,578	3,556
Total deferred income	10,374	6,881	3,493
OTHER CURRENT LIABILITIES	**125,776**	**97,540**	**28,236**

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.
At 31 December 2023, other current liabilities included, for €16 million, the contribution arising from the inclusion in the consolidation area of the MaxiCoffee Group, and chiefly referred to payables to personnel, payables to social security institutions and other payables.
The other changes in the year related mainly to the Parent Company for the increase in deferred income on tax relief for plant (€3 million) and to the increase in the advances by Nims (€3 million), higher VAT payables and other taxes payable by other Group companies.

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 2023 and 31 December 2022, revised according to the classification rules set out in IFRS 7 – Financial Instruments: Disclosure, are presented below.

	MEASUREMENT AT AMORTISED COST		MEASUREMENT AT FV THROUGH PROFIT OR LOSS		MEASUREMENT AT FV THROUGH OCI	
	2023	2022	2023	2022	2023	2022
Operating assets						
Cash and cash equivalents	199,985	330,503	-	-	-	-
Trade receivables	307,850	270,931	-	-	-	-
Other current assets (excluding tax receivables)	47,092	42,819	-	-	-	-
Other non-current assets (excluding tax receivables)	5,247	4,116	-	-	-	-
Non-current financial assets						
Financial receivables	16,839	12,830	-	-	-	-
Mutual funds	-	-	86	1,325	-	-
Insurance policies	-	-	11	18,412	-	-
Derivatives and other hedging instruments	-	-	-	-	20,269	27,141
Current financial assets						
Financial receivables	136,657	148,904	-	-	-	-
Derivatives and other hedging financial instruments	-	-	-	-	598	4,442
Equity securities	-	-	31,322	20,391	-	-
Bonds	-	-	251,527	203,872	-	-
Certificates of deposit and other deposits >3 months	16,249	-	-	-	-	-
Mutual investment funds	-	-	1,900	1,869	-	-
Other current securities	-	-	9	7	-	-
Investments in other companies	-	-	12,381	11,131		
Operating liabilities						
Trade payables	337,972	500,220	-	-	-	-
Other current liabilities (excluding tax liabilities)	105,644	81,799	-	-	-	-
Other non-current liabilities (excluding tax liabilities)	113	659	-	-	-	-
Non-current financial liabilities						
Bank loans	616,811	299,393	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Right-of-use liabilities, non-current	151,009	114,017	-	-	-	-
Payables for options on the purchase of investments	-	-	1,202	-	-	-
Derivatives and other hedging instruments	-	-	-	-	29	36
Current financial liabilities						
Other short-term bank payables	29,270	25,739	-	-	-	-
Bank loans (current portion)	124,563	156,788	-	-	-	-
Right-of-use liabilities, current	35,107	17,564	-	-	-	-
Payables to other lenders	-		-	-	-	-
Derivatives and other hedging instruments	-	-	-	-	8,024	19,123
Other liabilities	56		-	-	-	-

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 2023 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):

	2023		2022	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Exchange rates on sales	1,053	9	10,999	154
Interest rates on loans	300,000	20,260	300,000	26,987
Total	**301,053**	**20,269**	**310,999**	**27,141**

Current derivative assets

The item includes the positive fair value of outstanding derivatives at 31 December 2023 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):

	2023		2022	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Exchange rates on sales and purchase of green coffee	62,605	579	36,412	1,407
Exchange rates - Purchase of other food products	3,800	19	-	-
Interest rates - Loans	-	-	155,000	3,035
Total	**66,405**	**598**	**191,412**	**4,442**

Financial derivative liabilities

The item includes the negative fair values of outstanding derivatives at 31 December 2023, 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

	2023		2022	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Exchange rates on sales and purchase of green coffee	2,812	29	5,944	36
Exchange rates on loans	-	-	-	-
Interest rates on loans	-	-	-	-
Total	**2,812**	**29**	**5,944**	**36**

CURRENT DERIVATIVE LIABILITIES

	2023		2022	
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
Commodities on purchase of green coffee	-	-	102,670	5,207
Exchange rates on sales and purchase of green coffee	250,612	8,024	332,752	13,902
Exchange rates - Other financial assets	-	-	14,446	13
Total	**250,612**	**8,024**	**449,868**	**19,123**

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.

	2023			2022		
	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	-	12,381	-	-	11,131	-
Mutual funds	1,986	-	-	3,194	-	-
Insurance policies	-	11	-	-	18,412	-
Equity securities	31,322	-	-	20,391	-	-
Bonds	251,527	-	-	203,872	-	-
Other current securities	-	9	-	-	7	-
Derivative assets	-	20,867	-	-	31,583	-
Payables for options on the purchase of investments	-	-	1.202	-	-	-
Derivative liabilities	-	8,053	-	-	19,159	-

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

10.23 Government grants

The amounts taken to the statement of profit or loss during the year on an accrual basis are presented below, broken down into 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	5,166
R&D Bonus	524
Grants for investments in photovoltaic plants or for other low energy consumption production systems	211
Government grants for the acquisition or maintenance of properties	4
Grants for training programmes	204
Total	**6,108**

CAPITAL GRANTS

	AMOUNT RECEIVED
Government grants for innovation and the acquisition of new equipment	37
Benefits on expenditures in specific geographical areas	166
R&D Bonus	583
Grants for other environmental sustainability investments	-
Other	24
Total	**810**

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 €31 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 2023	YEAR 2022	CHANGE
Net revenues from the sale of goods	3,009,655	2,662,147	347,508
Net revenues from the sale of services	59,246	53,319	5,927
TOTAL	**3,068,901**	**2,715,466**	**353,435**

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

GEOGRAPHICAL AREA	YEAR 2023	RATIO %	YEAR 2022	RATIO %	CHANGE	% CHANGE
Italy	754,495	24.6%	721,747	26.6%	32,748	4.5%
Other EU countries	1,562,388	50.9%	1,279,544	47.1%	282,844	22.1%
Non-EU countries	752,018	24.5%	714,175	26.3%	37,843	5.3%
Total	**3,068,901**	**100.0%**	**2,715,466**	**100.0%**	**353,435**	**13.0%**

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 2023	YEAR 2022	CHANGE
Lease of coffee machines provided on free loan for use	39,817	40,648	(831)
Other services	4,514	2,514	2,000
Other rentals	14,915	10,157	4,758
TOTAL	**59,246**	**53,319**	**5,927**

11.2 Cost of sales

This item includes the following costs:

	YEAR 2023	YEAR 2022	CHANGE
Material and production costs	(1,921,671)	(1,614,936)	(306,735)
Logistic and distribution costs	(135,133)	(131,087)	(4,046)
Redevances	(55,652)	-	(55.652)
Fees and commissions on sales	(51,120)	(48,744)	(2,376)
TOTAL	**(2,163,576)**	**(1,794,767)**	**(368,809)**

In line with the previous year, the Group was impacted by the negative effects of the increase in the cost of raw materials, logistics and distribution costs, as well as the costs of energy sources used in production. Despite the increase in sales reported in the year, the ratio of cost of sales to turnover rose from 66% to 71%. The Group made a strategic choice and did not reflect all of the cost increases in sale prices with the aim of maintaining its competitiveness and market shares.
It should be noted that, in contrast with the previous year, the increase in the market prices of raw materials was fully reflected in the statement of profit or loss because the cost of sales was not mitigated by the positive effects of purchases at lower prices made in the previous year.

The following table provides a breakdown of costs by nature:

	YEAR 2023	YEAR 2022	CHANGE
Purchase of raw materials and third-party products	(1,493,706)	(1,492,703)	(1,003)
Change in inventories	(101,568)	221,901	(323,469)
Costs for services	(392,732)	(362,389)	(30,343)
Costs for use of third-party assets	(2,969)	(2,110)	(859)
Personnel costs	(69,894)	(66,154)	(3,740)
Amortisation, depreciation and write-downs	(99,278)	(90,267)	(9,011)
Provisions for risks	(3,429)	(3,045)	(384)
TOTAL	**(2,163,576)**	**(1,794,767)**	**(368,809)**

The item "Change in inventories" was determined by the changes in inventories, which decreased in the year compared to the increase reported in 2022.
The use of the previous year's inventories partly influenced purchases in 2023, with a decline in the volumes purchased during the year, in particular those relating to green coffee.

The trend in green coffee prices influenced the cost of sales. In particular, after beginning the year at historically high levels, green coffee prices however further grew for both Arabica (+13%) and Robusta (+58%).
In the first half of the year, Arabica was impacted by the weak harvest expected in Brazil and Colombia, with values that drove prices up to 205 $cts/lb in mid-April. The subsequent successful Brazilian harvest drove the prices to a low for the year (146 $cts/lb). In the autumn, persistent volumes of certified stocks at all-time lows (224,000 bags in November), along with new regulations that prevent recertification of old lots, triggered a new uptrend, driven by the positions of speculative funds offering massive buying opportunities, resulting in the high for the year of 209 $cts/lb on 18 December. The partial retracement in the final days of the year brought Arabica back to 188 $cts/lb.
For Robusta, 2023 was a record year in terms of price increases: from 1,926 $/tonne for the first exchange position at the beginning of the year, the price reached 3,046 $/tonne on the last day of December, with a high of 3,179 $/tonne reached on 21 December 2023.

Costs for services include €56 million in "redevances" attributable to the MaxiCoffee Group, referring to costs incurred for the use of spaces in offices or public spaces where vending machines are placed.
Accruals to provisions are essentially in line with the previous year and refer to the adjustment of provisions already set aside in previous years for the use of sustainable packaging, with the aim of complying with the fundamental requirements of environmental directives and of new technologies, by adopting low environmental impact processes and raw materials to reduce waste production.

11.3 Promotional and advertising costs

This item includes the following costs:

	YEAR 2023	YEAR 2022	CHANGE
Advertising costs	(71,524)	(97,375)	25,851
Promotional costs	(61,768)	(65,125)	3,357
Marketing costs	(43,965)	(49,571)	5,606
TOTAL	**(177,257)**	**(212,071)**	**34,814**

Promotional, advertising and marketing costs declined, in line with the Group's policies aimed at containing such costs in order to partly mitigate the increase in the cost of raw materials.

The following table provides a breakdown by nature:

	YEAR 2023	YEAR 2022	CHANGE
Purchase of third-party products	(608)	(1,192)	584
Change in inventories	(5,542)	(6,509)	967
Costs for services	(171,021)	(204,791)	33,770
Costs for use of third-party assets	(100)	(74)	(26)
Personnel costs	(13)	(42)	29
Amortisation and depreciation	(1,196)	(1,193)	(3)
Other costs	1,223	1,730	(507)
TOTAL	**(177,257)**	**(212,071)**	**34,814**

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 2023	YEAR 2022	CHANGE
Purchase of third-party products	(4,825)	(3,024)	(1,801)
Change in inventories	(2,511)	(2,154)	(357)
Costs for services and other costs	(67,226)	(48,746)	(18,480)
Costs for use of third-party assets	(4,321)	(2,407)	(1,914)
Personnel costs	(169,250)	(133,046)	(36,204)
Write-down of receivables	(7,890)	(7,464)	(426)
Amortisation and depreciation	(7,044)	(6,371)	(673)
Provisions for risks	(70)	(30)	(40)
TOTAL	**(263,137)**	**(203,242)**	**(59,895)**

Selling costs increased mainly due with regard to costs for services and personnel costs, amplified by the inclusion of the MaxiCoffee Group in the consolidation area, which contributes to the rise in costs relating to the sales network.

11.5 General and administrative expenses

	YEAR 2023	YEAR 2022	CHANGE
Personnel costs	(174,468)	(156,833)	(17,635)
Costs for services	(53,821)	(47,938)	(5,883)
Advisory services	(32,758)	(29,589)	(3,169)
Costs for use of third-party assets	(16,349)	(12,372)	(3,977)
Amortisation and depreciation	(38,284)	(35,048)	(3,236)
Other costs	(5,400)	(1,489)	(3,911)
Remuneration to Directors and Statutory Auditors	(2,612)	(2,578)	(34)
Purchase of third-party products	(893)	(805)	(88)
Change in inventories	(1,077)	(1,203)	126
TOTAL	**(325,662)**	**(287,855)**	**(37,807)**

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.
Without prejudice to the objective of containing costs, including general and administrative expenses, the item increased, due in part to the contribution of the MaxiCoffee Group, in addition to a general increase in costs due to inflationary dynamics.

11.6 Research and development costs

	YEAR 2023	YEAR 2022	CHANGE
Costs for services, net of grants received	(9,169)	(12,628)	3,459
Purchase of materials	(910)	(195)	(715)
Change in inventories	(1,269)	(652)	(617)
Other costs	(892)	(717)	(175)
Amortisation and depreciation	(3,087)	(2,367)	(720)
TOTAL	**(15,327)**	**(16,559)**	**1,232**

Research and development costs amounted to about €15 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 2023	YEAR 2022	CHANGE
Royalties	948	938	10
Insurance reimbursements	1,400	1,249	151
Capital gains/(losses)	(415)	(947)	532
Socially beneficial and charitable expense	(1,877)	(4,855)	2,978
Amortisation and depreciation	(17,325)	(14,290)	(3,035)
Provisions	(2,548)	(10,008)	7,460
Impairment of tangible and intangible assets	-	(2,700)	2,700
Personnel costs	152	(6)	158
Other income/(expense)	5,687	2,563	3,124
TOTAL	**(13,978)**	**(28,056)**	**14,078**

Other net operating expense amounted to €14 million and includes amortisation and depreciation (€17 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 the client portfolio acquired at the end of 2018 with the Lavazza Professional business unit.

This was in addition to the amortisation of approximately €3 million calculated on trademarks and other intangible assets recognised in 2023 within the framework of the acquisition of the MaxiCoffee Group.

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

Provisions referred to an adjustment to the provisions allocated in previous years. In the previous year, a €10 million provision had been allocated to company restructuring projects and to provisions for charges and legal disputes.

11.7.2 OTHER NET ONE-OFF CHARGES

This item amounted to €6 million and referred to costs for legal and advisory services incurred for activities in support of extraordinary transactions, such as the acquisition of the MaxiCoffee Group and the sale of Fresh and Honest Café Limited.

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, the interest in La Manufacture de Café Alain Ducasse SAS, a 50%-owned French company, the interest in Fresh and Honest Café Limited, a 24%-owned Indian company, and the interest in the 20%-owned German company Ediwen G.m.b.H.

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 2023	YEAR 2022	CHANGE
Wages and salaries	(308,399)	(253,574)	(54,825)
Social security contributions	(61,641)	(55,483)	(6,158)
Costs for defined benefit plans	(8,766)	(8,762)	(4)
Other costs	(35,516)	(38,817)	3,301
Total personnel costs	**(414,322)**	**(356,636)**	**(57,686)**
of which:			
- included in cost of sales	(69,894)	(66,154)	(3,740)
- included in selling costs	(169,250)	(133,046)	(36,204)
- included in other structure costs	(175,178)	(157,436)	(17,742)
Total personnel costs	**(414,322)**	**(356,636)**	**(57,686)**

Personnel costs amounted to €414 million, increasing by €58 million compared to the previous year, of which €44 million relating to the MaxiCoffee Group.
The increase in personnel costs, where not attributable to the MaxiCoffee Group, was due to remuneration policies, impacted by inflation and market dynamics that required an adjustment of both variable and fixed components. Accordingly, these were both mandatory contractually established increases and incentives and bonuses designed to maintain a qualified workforce suited to supporting the business.

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

CATEGORIES	2023	2022
Senior managers - Middle managers	1,294	1,018
Specialised workers	2,494	2,124
Other workers	1,876	1,019
Total	**5,664**	**4,161**

Excluding the inclusion of the MaxiCoffee Group, the average headcount remained substantially in line with the previous year.

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

CATEGORIES	2023	2022
Senior managers - Middle managers	1,283	1,011
Specialised workers	2,498	2,156
Other workers	1,854	1,031
Total	**5,635**	**4,198**

11.9 Financial income and expense, dividends and investments results

FINANCIAL INCOME AND EXPENSE

S following table reports the breakdown of financial income and expense for 2023 and the previous year:

	YEAR 2023	YEAR 2022	CHANGE
FV adjustments of securities in profit or loss	13,993	(24,649)	38,642
Income/(expense) from derivatives	(5,123)	213	(5,336)
Exchange gains/(losses)	(3,909)	(11,246)	7,337
Other financial income/(expense)	(14,855)	(4,865)	(9,990)
TOTAL	**(9,894)**	**(40,547)**	**30,653**

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 €3.9 million and referred for about €1.9 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 to the adjustment to market prices of the securities of Lavazza Capital S.r.l.

In 2022, financial income and expense had been unfavourably conditioned by the market prices of securities held by Lavazza Capital S.r.l., which had affected the adjustment to fair value of these items, as well as by the performance of the Euro/Dollar exchange rate in the final months of the year, which had resulted in significant foreign exchange losses.
In 2023, these conditions did not recur; financial markets partly recovered their previous losses, and this resulted in a clear improvement in the financial component of the statement of profit or loss compared to the previous year.

Other financial income and expense were broken down as follows:

OTHER FINANCIAL INCOME	YEAR 2023	YEAR 2022	CHANGE
Other financial income	9,212	6,265	2,947
Interest income from banks	3,963	562	3,401
Interest income on financial receivables	6,518	2,161	4,357
Total financial income	**19,693**	**8,988**	**10,705**

OTHER FINANCIAL EXPENSE	YEAR 2023	YEAR 2022	CHANGE
Interest and financial charges paid to banks	(24,648)	(4,784)	(19,864)
Interest paid to other lenders	(353)	(603)	250
Other financial expense	(9,547)	(8,466)	(1,081)
Total financial expense	**(34,548)**	**(13,853)**	**(20,695)**

Financial income refers mainly to coupons accrued on bonds and the securities of the subsidiary Lavazza Capital S.r.l., as well as to the interest accrued on the time deposits held for a period of more than three months by the MaxiCoffee Group.
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 includes interest accrued on loans granted to clients by the subsidiary Cofincaf S.p.A., as well as interest income accrued by Lavazza Capital S.r.l. from Torino 1895 Investimenti S.p.A. (a subsidiary of the Finlav Group) following a €115 million loan granted to the latter and already existing in the previous year.
Financial income show an overall increase compared to the previous year, consistent with the interest rate increase.
Interest paid to banks mainly refers to interest accrued on corporate loans taken out by the Parent Company. The increase compared to the previous year was chiefly determined by the new loans taken out by the Parent Company, in addition to the financial liabilities of the MaxiCoffee Group that accrued a €1.2 million interest in the nine months of the year. For further details, reference should be made to Note 10.14 of the Statement of Financial Position.

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. The increase is partly explained by the inclusion of the MaxiCoffee Group, which accrued interest on financial payables for rights of use totalling €1.8 million.

DIVIDENDS AND EQUITY INVESTMENTS RESULTS

This item amounted to €513 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 2023 and 2022 were broken down as follows:

	YEAR 2023	YEAR 2022	CHANGE
Current taxes	(10,658)	(20,514)	9,856
Use (provision) for deferred tax liabilities	(13,037)	(7,077)	(5,960)
Provision (use) for deferred tax assets	4,163	2,161	2,002
TOTAL	**(19,532)**	**(25,430)**	**5,898**

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	2023	2022
Deferred taxes relating to items recognised in OCI for the year		
Gain/(Loss) on the write-up of cash flow hedges	(2,969)	17,263
Unrealised gains/(Losses) on financial assets	-	-
Net gain/(Loss) on actuarial gains/(Losses)	1,468	(6,299)
Income taxes in the Consolidated Statement of Other Comprehensive Income	**(1,501)**	**10,963**

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:

GROUP PRE-TAX RESULT	**87,399**
Theoretical tax rate	**24%**
GROUP THEORETICAL TAX RATE	**(20,976)**
Dividends	(307)
Different tax ratio of Group companies	538
Permanent differences	17,607
ACE / Patent Box tax incentives	4,323
Temporary differences for IFRS adjustments and other consolidation adjustments	10,687
Temporary differences	(20,741)
Prior years' tax losses	886
Non-deductible taxes and costs	(7,385)
Prior years' taxes	336
IRAP (regional production tax)	(1,338)
Other local taxes	(3,162)
ACTUAL TAX RATE	**(19,532)**

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:

	31.12.2022	CHANGE IN CONSOLIDATION AREA	RETURNS	PROVISIONS	EXCHANGE RATE AND OTHER MOVEMENTS	MOVEMENTS TO OCI RESERVE	31.12.2023
PRE-TAX							
Deferred deductibility costs	73,762	12,682	(12,925)	16,300	1,558	-	91,377
Elimination of fiscal effect of intercompany profit	3,996	-	(1,960)	-	-	-	2,035
FV adjustment of financial derivatives	(1,186)	-	-	-	-	(6,234)	(7,419)
Total deferred tax assets	**76,572**	**12,682**	**(14,886)**	**16,300**	**1,558**	**(6,234)**	**85,993**
DEFERRED TAX LIABILITIES							
Deferred tax liabilities on depreciation delta	50,372	-	(16,301)	23,627	-	-	57,698
Other differences	23,682	33,456	(10,096)	14,840	(1,614)	-	60,269
FV adjustment of financial derivatives	5,185	-	-	-	-	(3,325)	1,860
Total deferred tax liabilities	**79,238**	**33,456**	**(26,396)**	**38,468**	**(1,614)**	**(3,325)**	**119,827**

The deferred taxes presented in the change in consolidation area included the effects of the amendments made to IAS 12, which provide for the recognition of deferred taxes on certain lease transactions that give rise to taxable and deductible temporary differences of equal amount upon initial recognition. This application entailed the recognition of deferred tax assets and liabilities of equal amounts (approximately €10 million) relating to the lease contracts for the MaxiCoffee Group's coffee machines.

12. COMMITMENTS AND RISKS

Commitments and risks are given in the following table:

	AMOUNT RECEIVED
Commitments to purchase fixed assets	406
Commitments to purchase green coffee	31,768
Other real guarantees granted to third parties	219
Guarantees on credit lines granted to third parties	820
Total	**33,213**

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 Professional Germany G.m.b.H.

GUARANTEES IN FAVOUR OF THE PARENT COMPANY

They consist of guarantees given in favour of the Parent Company by banks: €1,523,981 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; €34,985 for a loan connected with scholarships of the Parma University; €16,702 to Consorzio Nucleo Sviluppo Industriale Isernia for drinking water supply; €463,458 to Customs; and €741,567 for property leases.

13. ASSETS HELD FOR SALE

Assets and liabilities held for sale recognised in the Consolidated Statement of Financial Position at year-end 2022 had included an industrial property located in Baranzate and owned by the Parent Company with a value of €5,247 thousand that was sold at year-end 2023, and the assets and liabilities associated with the fully owned subsidiary Fresh and Honest Café Limited, consolidated line by line until the end of 2022 and the control of which was transferred in January 2023.
At the end of 2023, assets held for sale amounted to €27 thousand and referred to certain assets relating to the closure of the Lyon boutique, which are to be sold in 2024.

14. RISK MANAGEMENT OBJECTIVES AND CRITERIA

As explained in Note 10.14, 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 *e*stimated by the Company on the basis of the business model identified (as defined by IFRS 9).

15. RELATED PARTY DISCLOSURES

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

2023

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	-	1,481	-	-	-	907	-	-
Lavazza Maroc S.a.r.l.	Subsidiary	15	216	-	-	31	90	-	-
Manufacture de Café	Indirect associate	156	-	-	-	456	-	507	-
Ediwen G.m.b.H.	Indirect associate	850	-	-	-	453	-	-	-
Fresh and Honest Café Limited	Indirect associate	712	-	-	-	173	-	-	-
Yibai Co. LTD	Indirect associate	6,156	71	-	-	671	70	-	-
Torino 1895 Investimenti S.p.A.	Other related party	-	-	4,832	-	-	-	115,000	-
Lavazza Entertainment S.r.l.	Other related party	-	-	-	18	-	-	-	485
Lavazza Eventi S.r.l.	Other related party	566	2,727	-	42	484	2,161	-	337
Lea S.r.l.	Other related party	310	2,859	86	-	303	1,418	3,204	2
Tosetti Value S.p.A.	Other related party	-	708	-	-	-	-	-	-
Chili S.p.A.	Other related party	-	231	-	-	-	-	-	-
Total		**8,765**	**8,293**	**4,918**	**60**	**2,572**	**4,646**	**118,711**	**824**

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	Indirect associate	150	-	-	-	183	-	176	-
Y&L Coffee Limited	Associate	-	-	-	-	-	-	-	-
Yibai Co. LTD	Indirect 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	-	-
Total		**5,908**	**6,834**	**1,412**	**4**	**1,916**	**4,660**	**116,412**	**476**

Sales to and purchases from related parties are carried out at arms' length conditions. For the year ended 31 December 2023, 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.

Compared to the previous year, the Group's related parties included also the company Ediwen G.m.b.H., in which the Group acquired a 20% interest in the year (see paragraph 10.5). The other related parties have not changed substantially. 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):

	TOTAL REMUNERATION PAID
Fixed remuneration to Directors	2,001,355
Fixed remuneration to Statutory Auditors	167,440
Total	**2,168,795**

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 E-Coffee Solutions S.r.l., and, separately, a statutory independent audit of the Consolidated Financial Statements of the Lavazza Group for the year ended 31 December 2023, as well as the total amount of consideration accrued for other minor services relating to methodological support activities.

ACTIVITY	COMPANY	2023
Audit of annual accounts	Luigi Lavazza S.p.A.	77,000
	Consolidated Lavazza Group	103,000
	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.	5,000
Total		**252,000**

16. POST BALANCE SHEET EVENTS

The global economic scenario is undergoing rapid change, increasingly characterised by market uncertainty and unpredictability: what yesterday was a certainty, today becomes less transparent and harder to interpret.

One example is the current Suez Channel crisis, which is having significant repercussions on logistics and supply costs, particularly with regard to Vietnam, one of the world's largest coffee exporters along with Brazil. This specific event comes in addition to structural complexities such as commodity costs and the unfavourable Euro/Dollar exchange rate, which has a direct impact on Lavazza's economic performance.

Within this complex scenario, to protect its volumes and customers as much as possible without ever compromising on the quality of its products, the Group has accepted to reduce its profit margins already in the year just ended.

The Group is therefore aware of the very difficult challenges ahead — which are not without risk. The Group will seek out every possible solution to cope with an extremely critical industry scenario, implementing effective solutions in terms of profitability and focusing on its international growth strategy, particularly on strategic markets such as the United States and on rapidly growing areas such as China, in order to main its competitiveness.

VOLUNTARY TOTALITARIAN TENDER OFFER AIMED AT DELISTING IVS GROUP S.A.

On 22 April 2024, E-Coffee Solutions S.r.l. ("ECS"), a company of the Lavazza Group, Torino 1895 Investimenti S.p.A. (a subsidiary of Finlav S.p.A.) and IVS Partecipazioni S.p.A. ("IVSP"), the majority shareholder of IVS Group S.A. ("IVSG"), a Luxembourg-based company at the head of the IVS Group — the market leader in Italy and second player in the European Union in the vending market, whose shares are listed in Italy on Euronext Milan, STAR segment ("EXM"), a regulated market organised and managed by Borsa Italiana S.p.A — have announced the signing of binding agreements aimed at carrying out a transaction (the "Transaction"), which contemplates, inter alia, the launch of a voluntary totalitarian tender offer on IVSG shares by Grey S.à.r.l. ("Grey"), a newly incorporated Luxembourg vehicle wholly owned, as of the date of announcement of the Transaction, by ECS (the "Offer" or the "Tender Offer").

The consideration for the Offer, equal to €7.15 per share tendered to the Offer (the "Consideration"), incorporates:

(i) a premium equal to 11% with respect to the closing price of IVSG shares on 22 April 2024 (i.e., date of the announcement of the Transaction) (8.1% with respect to the official price);

(ii) a premium equal to 6.9% with respect to the official price of IVSG shares on 19 April 2024 (the last trading day prior to the date of the announcement of the Transaction) (the "Reference Date");

(iii) a premium equal to 18.9% with respect to the weighted arithmetic average of the official prices of IVSG shares in the last 6 months before the Reference Date (included).

It should be noted that, in the event of full acceptance of the Offer by all the holders of the shares subject to the Offer, the maximum total countervalue of the Offer, calculated on the basis of the Consideration equal to €7.15 per share and the maximum total number of shares subject to the Offer, will be equal to €184,770,471.60.

The Offer is aimed at obtaining the delisting of IVSG shares from EXM, which may also be achieved through a merger subject to the satisfaction of the relevant conditions (the "Delisting").

In the context of the overall Transaction, call and put options exercisable from 2027 have been agreed as a result of which, subject to obtaining the necessary regulatory approvals, the Lavazza Group would acquire control over IVSG.

In particular, the following binding agreements relating to the Transaction were entered into on 22 April 2024:

a) an investment agreement (the "Investment Agreement") between ECS, Torino 1895 Investimenti S.p.A. ("Torino1895"), a company controlled by Finlav S.p.A., IVSP and Grey, aimed at regulating, inter alia:
   - (i) the promotion by Grey of the Offer aimed at acquiring, for a cash consideration equal to €7.15 per share, a maximum of No. 25,842,024 IVSG shares, representing 28.36% of the share capital of IVSG (including No. 10,702,112 IVSG shares, equal to 11.74% of IVSG's share capital, which IVSP undertook to tender to the Offer);
   - (ii) ECS's commitments aimed at providing Grey with the resources necessary for the payment of the consideration of the Offer;
   - (iii) the commitment of IVSP to tender to the Offer, a total of No. 10,702,112 IVSG shares, representing approximately 11.74% of the share capital of IVSG;
   - (iv) subject to the positive completion of the Offer:
     a. the commitment of IVSP to contribute to Grey the overall remaining 46,243,640 IVSG shares, equal to 50.75% of the share capital of IVSG (as of the date of the announcement of the Transaction), as well as
     b. the commitment of Torino1895 to transfer to ECS the 18,588,139 IVSG shares owned by Torino1895, equal to 20.4% of the share capital of IVSG (as of the date of the announcement of the Transaction), together with the commitment of ECS to contribute such shares to Grey, all at a value per share equal to the consideration of the Offer.

Therefore, in case of a positive outcome of the Offer and taking into account the foregoing commitments, depending on the acceptance of the Offer:

(i) IVSP would hold a stake of at least 51% of the share capital of Grey and, indirectly, of IVSG;

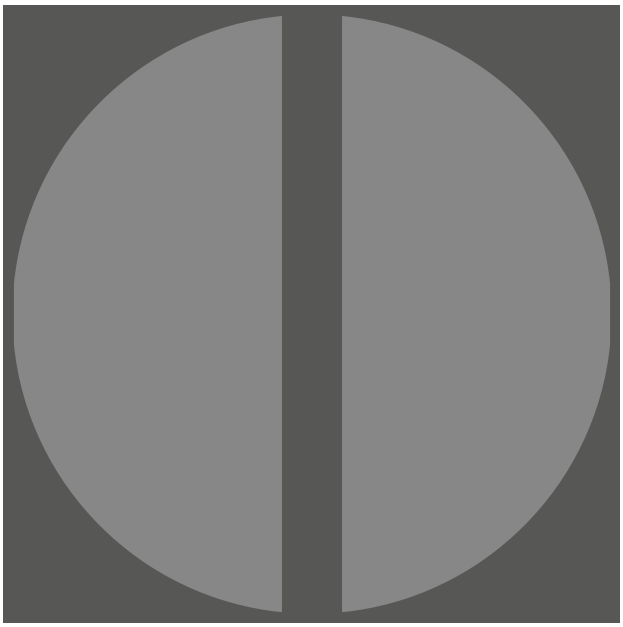
(ii) ECS would hold a stake of between 39% and 49% of the share capital of Grey and, indirectly, of IVSG;

(iii) Torino1895 would no longer hold any direct or indirect stake in IVSG;

b) a shareholders' agreement (the "Shareholders' Agreement") between ECS and IVSP, with the participation also of Grey, aimed at defining the rules of governance and the transfer of the shares in Grey and IVSG, subject to the positive completion of the Offer. In particular, with reference to the governance rights pertaining to ECS, the Shareholders' Agreement provides that, for as long as IVSP will exercise legal control over Grey and, indirectly, over IVSG, ECS will be the holder of certain governance rights for the mere protection of its indirect investment in the Issuer, including, inter alia, a representation on the board of directors of IVSG;
c) a reciprocal option agreement (the "Option Agreement") between ECS and IVSP, subject to the positive completion of the Offer, providing for options to purchase (call options) of ECS and options to sell (put options) of IVSP on the shares held by IVSP, following completion of the Offer, in Grey (or in the company resulting from the possible merger of IVSG and Grey or vice versa, which may be implemented after the Offer). In any case, the call and put options will be exercisable after the approval of IVSG's consolidated financial statements as at 31 December 2026 (and, therefore, starting from 2027 until 2034).

Grey, by means of a communication disseminated on 22 April 2024 pursuant to Article 102, paragraph 1, of Legislative Decree No. 58 of 24 February 1998 and Article 37 of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended, announced that it has taken the decision to launch the Offer, together with the description of the legal assumptions, terms, conditions and essential elements of the Offer (the "Communication").
The Offer will be promoted exclusively in Italy and its completion is subject to the obtainment of the regulatory authorisations (that is, the authorisation from the Bank of Italy for the acquisition, by Grey, of a qualifying indirect controlling shareholding in Moneynet S.p.A, a payment institution belonging to the IVS Group, and the authorisation by the UK Secretary of State pursuant to the National Security and Investment Act 2021 consequent to the exceeding of a participation threshold, although indirect, by ECS and Grey in N-And Group Ltd. – a company of the IVS Group incorporated pursuant to English law, active in the sector of design and implementation of IT platforms and applications), as well as upon the occurrence of the conditions for the effectiveness of the Offer.
Moreover, this phase of the Transaction would be concluded with the Delisting of the IVSG shares, which could take place following the possible sell-out and/or squeeze-out procedures pursuant to applicable laws (or, if the conditions to proceed with the Delisting following the completion of the Offer are not met, following the possible merger by incorporation of IVSG into Grey, in line with the reasons and objectives of the Offer).

Subsequently, in case of exercise of the call and/or put options pursuant to the Option Agreement, ECS may acquire – starting from 2027 and possibly in several tranches – the entire shareholding owned by IVSP. As a result, ECS would therefore acquire the control over Grey and indirectly the control over IVSG.



INDEPENDENT AUDITORS' REPORT

Building a better working world

Luigi Lavazza S.p.A.

Consolidated financial statements as at 31 December 2023

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

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lavazza Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, 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 Parent Company Luigi Lavazza S.p.A. 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 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 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 at 31 December 2023, 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 at 31 December 2023 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 at 31 december 2023 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, 23 April 2024

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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LUIGI LAVAZZA S.P.A. FINANCIAL STATEMENTS AT 31 DECEMBER 2023

ACCOUNTING STATEMENTS

Balance Sheet - Assets

Amounts in Euro units		31.12.2023		31.12.2022	
A)	CALLED-UP SHARE CAPITAL NOT PAID	-		-	
B)	ASSETS				
I)	INTANGIBLE ASSETS				
1)	start-up and expansion costs	-		-	
2)	development costs	6,241,975		8,518,953	
3)	industrial patent rights and rights for exploitation of intellectual property	13,155,272		15,170,622	
4)	concessions licenses, trademarks and similar rights	188,930,342		204,931,060	
5)	goodwill	217,615,708		235,555,701	
6)	intangible assets in process and advances	10,130,268		13,433,193	
7)	other	82,416,732		76,878,214	
	TOTAL INTANGIBLE ASSETS	**518,490,297**		**554,487,743**	
II)	PROPERTY, PLANT AND EQUIPMENT				
1)	land and buildings	78,991,888		79,872,526	
2)	plant and machinery	206,743,965		200,059,658	
3)	industrial and commercial equipment	29,266,269		36,444,986	
4)	other assets	9,394,865		10,132,761	
5)	tangible assets in process and advances	18,852,202		33,597,000	
	TOTAL TANGIBLE ASSETS	**343,249,189**		**360,106,931**	
III)	FINANCIAL ASSETS				
1)	investments in:				
	a) subsidiaries	1,519,722,635		1,362,785,957	
	b) associates	69,712,827		36,534,327	
	d-bis) other companies	6,105		6,258	
2)	receivables:				
	a) to subsidiaries	200,762,756		51,740,727	
	of which due after one year	*200,762,756*		*51,740,727*	
	d-bis) to others	252,979		307,412	
	of which due after one year	*252,979*		*307,412*	
4)	derivative financial assets	20,261,952		27,113,720	
	TOTAL NON-CURRENT FINANCIAL ASSETS	**1,810,719,254**		**1,478,488,401**	
	TOTAL FIXED ASSETS (B)	**2,672,458,740**		**2,393,083,075**	

Amounts in Euro units		31.12.2023	31.12.2022
C)	CURRENT ASSETS		
I)	INVENTORIES		
1)	raw material, ancillaries and consumables	207,659,151	301,815,859
2)	work in progress and semi-finished goods	6,513,505	6,315,575
4)	finished products and goods	133,280,784	153,452,572
5)	advances payments	561,206	1,381,299
	TOTAL INVENTORIES	**348,014,646**	**462,965,305**
II)	RECEIVABLES		
1)	trade receivables	123,363,091	92,738,981
2)	from subsidiaries	337,430,789	334,894,665
3)	from associates	844,597	941,421
4)	from parent companies	33,457,493	23,663,564
5)	from related companies	3,990,964	2,010,996
5-bis)	tax receivables	19,394,797	52,801,455
5-ter)	prepaid taxes	49,875,508	49,380,925
5-quater)	other receivables	4,131,385	18,479,389
	TOTAL RECEIVABLES	**572,488,624**	**574,911,396**
III)	FINANCIAL ASSETS OTHER THAN FIXED ASSETS		
5)	derivative financial assets	699,007	4,005,656
6)	other securities	-	**-**
	TOTAL FINANCIAL ASSETS OTHER THAN FIXED ASSETS	**699,007**	**4,005,656**
IV)	CASH AND CASH EQUIVALENTS		
1)	bank and post office deposits	54,565,297	152,797,826
3)	cash and valuables on hand	104,402	130,481
	TOTAL CASH AND CASH EQUIVALENTS	**54,669,699**	**152,928,307**
V)	TANGIBLE ASSET HELD FOR SALE	**-**	**5,236,337**
	TOTAL WORKING CAPITAL (C)	**975,871,976**	**1,200,047,001**
D)	PREPAYMENTS AND ACCRUED INCOME	**25,546,942**	**27,791,226**
	TOTAL ASSETS	**3,673,877,658**	**3,620,921,302**

Balance Sheet – Equity and Liabilities

Amounts in Euro units		31.12.2023	31.12.2022
A)	**EQUITY**		
I.	SHARE CAPITAL	25,090,000	25,090,000
II.	SHARE PREMIUM ACCOUNT	9,133,523	9,133,523
III.	REVALUATION RESERVES	426,580,270	426,580,270
IV.	LEGAL RESERVE	5,018,000	5,000,000
V.	STATUTORY RESERVES	-	-
VI.	OTHER RESERVES		
	Extraordinary reserve	211,519,258	211,519,258
	Reserve Re. Art.18 Presidential Decree 675/77	16,892	16,892
	Reserve Re. Art. 55 law 526 of 7/8/82	86,235	86,235
	Reserve Re. Law 46 of 17/02/82	90,785	90,785
	Reserve Re. Art. 55 dpr 917/86	212,481	212,481
	Reserve Re. Law 130 of 26/04/83	162,463	162,463
	Reserve Re. Law 488 of 19/12/92	380,808	380,808
	Restricted reserve arising on exchange gains	-	5,019,656
	Merger surplus	56,953,074	56,953,074
VII.	HEDGE RESERVE FOR EXPECTED CASH FLOWS	7,490,798	1,996,486
VIII.	PROFIT (LOSS) CARRIED FORWARD	1,636,461,545	1,601,469,577
IX.	PROFIT (LOSS) FOR THE YEAR	39,583,816	68,845,115
X.	NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	(17,732,533)	(17,732,533)
	TOTAL EQUITY	**2,401,047,415**	**2,394,824,090**
B)	**PROVISIONS**		
1)	for pension and similar obligations	2,835,369	2,699,906
2)	for taxes, including deferred	6,542,881	9,282,859
3)	derivative financial liabilities	7,549,838	19,079,880
4)	other	84,601,328	124,539,568
	TOTAL PROVISIONS	**101,529,416**	**155,602,213**
C)	**EMPLOYEE LEAVING INDEMNITIES**	**11,777,351**	**12,211,214**

Amounts in Euro units			31.12.2023		31.12.2022
D)	**LIABILITIES**				
4)	payables to banks		702,735,364		456,180,496
	a) of which due after one year	*588,563,285*		*299,392,757*	
6)	advances payments		1,578,123		1,603,390
7)	trade payables		147,540,043		333,610,860
9)	payables to subsidiaries		183,260,494		160,697,329
10)	payables to Associates		70,056		-
11)	payables to the Parent		-		-
11 bis)	payables to related companies		4,396,744		4,261,178
12)	deferred tax liabilities		4,291,389		3,779,673
13)	social security liabilities		7,306,853		5,002,269
14)	other liabilities		95,449,241		83,342,900
	TOTAL LIABILITIES		**1,146,628,307**		**1,048,478,095**
E)	**ACCRUALS AND DEFERRED INCOME**		**12,895,169**		**9,805,690**
	TOTAL EQUITY AND LIABILITIES		**3,673,877,658**		**3,620,921,302**

Statement of Profit or Loss

Amounts in Euro units			YEAR 2023		YEAR 2022
A)	VALUE OF PRODUCTION				
1)	net revenues		2,036,783,921		1,939,223,285
2)	change in inventories of work in progress, semi-finished and finished goods		(19,973,858)		63,098,615
5)	other income and revenues:		139,359,285		144,712,170
	a) miscellaneous	*133,268,320*		*138,394,607*	
	b) grants	*6,090,965*		*6,317,563*	
	TOTAL VALUE OF PRODUCTION		**2,156,169,348**		**2,147,034,070**
B)	COSTS OF PRODUCTION				
6)	for raw materials, ancillaries, consumables and goods		1,117,284,952		1,184,852,808
7)	for services		613,158,592		662,526,144
8)	for use of third-party assets		28,400,195		25,972,334
9)	for personnel:		183,869,036		173,529,938
	a) wages and salaries	*129,437,224*		*122,136,450*	
	b) social security costs	*33,845,420*		*31,056,295*	
	c) severance indemnities	*9,148,092*		*8,077,843*	
	e) other costs	*11,438,300*		*12,259,350*	
10)	amortisation, depreciation and write-downs		103,326,256		105,795,828
	a) amortisation	*55,960,669*		*53,770,721*	
	b) depreciation	*46,992,048*		*50,625,387*	
	c) other write-downs of fixed assets	*1,129*		*800,348*	
	d) write-downs of current receivables e delle disponibilità liquide	*372.410*		*599.372*	
11)	changes in inventories of raw material, ancillaries, consumables and goods		94,156,708		(86,495,528)
12)	provisions for risks		3,473,663		7,976,977
13)	other provisions		126,865		50,000
14)	miscellaneous operating costs		11,449,690		14,240,846
	TOTAL COSTS OF PRODUCTION		**2,155,245,957**		**2,088,449,347**
	DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)		**923,391**		**58,584,723**

Amounts in Euro units			YEAR 2023		YEAR 2022
C)	FINANCIAL INCOME AND EXPENSE				
15)	income from investments		45,192,926		32,352,864
	- from subsidiaries and associates	*45,192,926*		*31,848,655*	
	- from other subsidiaries	-		*504,209*	
16)	Other financial income				
	a) from non-current receivables		7,742,822		2,245,345
	- from subsidiaries and associates	*7,742,822*		*2,245,345*	
	d) income other than the preceding ones		3,388,117		584,718
	- from subsidiaries and associates	*786,778*		*278,575*	
	- from companies controlled by the Parent	*86,270*		*4,270*	
	- from other companies	*2,515,069*		*301,873*	
17)	interest and other financial expense		(23,748,890)		(5,596,546)
	- from subsidiaries and associates	*(1,632,832)*		*(530,575)*	
	- paid to companies controlled by the parent company	*(59,873)*		*(3,641)*	
	- paid to other companies	*(22,056,185)*		*(5,062,330)*	
17-bis)	exchange gains and losses		(3,660,081)		(8,725,523)
	TOTAL FINANCIAL INCOME AND EXPENSES		**28,914,894**		**20,860,858**
D)	VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
18)	write-ups		3,835,460		27,067,848
	a) of equity investments	-		*4,858,369*	
	d) of derivatives	*3,835,460*		*22,209,479*	
19)	write-downs:		(8,295,608)		(32,115,136)
	a) of equity investments	-		*(6,717,000)*	
	b) of financial fixed assets other than investments	-		-	
	c) of current securities other than investments	-		-	
	d) of derivatives	*(8,295,608)*		*(25,398,136)*	
	TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS		**(4,460,148)**		**(5,047,288)**
	PROFIT BEFORE TAXES (A-B+-C+-D)		**25,378,137**		**74,398,293**
20)	current, deferred and prepaid income taxes for the year		14,205,679		(5,553,178)
	current taxes	*2,658,454*		*(8,590,603)*	
	net deferred tax liabilities	*(940,612)*		*(19,241)*	
	net deferred tax assets	*6,694,767*		*(1,735,869)*	
	taxes relating to previous years	*5,793,070*		*4,792,535*	
21)	**PROFIT FOR THE YEAR**		**39,583,816**		**68,845,115**

Statement of Cash Flows

Amounts in Euro units		YEAR 2023	YEAR 2022
A	**Cash flows from operating activities**		
	Profit (loss) for the year	39,583,816	68,845,115
	Income taxes	(14,205,679)	5,553,178
	Interest expense / (interest income)	16,278,032	11,492,006
	Derivatives	4,460,148	3,188,657
	(Dividends)	(45,192,926)	(32,352,864)
1	**Profit (loss) for the year before income taxes, interest, dividends and gains / losses from disposal**	**923,391**	**56,726,092**
	Adjustments for non-monetary items that have no offsetting entry in net working capital		
	Provisions	23,396,215	30,870,861
	Provision of employee severance indemnities	191,775	957,814
	Amortisation and depreciation	102,952,717	104,396,107
	Write-down / write-up of equity investments and derivatives	-	6,717,000
	Other impairment losses	1,129	800,348
	Value adjustments to derivative financial assets and liabilities that do not entail monetary movements	5,494,312	(38,718,789)
	Other adjustments for non-monetary items	-	-
	Net effect of merger	-	-
2	**Cash flow before changes in net working capital**	**132,959,539**	**161,749,433**
	Changes in net working capital		
	Decrease / (increase) in inventories	120,186,996	(149,159,123)
	Decrease / (increase) in trade receivables	(30,624,110)	22,333,544
	Decrease / Increase of receivables from Group companies	(11,503,437)	(56,776,997)
	Increase / (decrease) in trade payables	(186,096,084)	56,517,210
	Decrease / Increase of payables to Group companies	(7,284,624)	27,835,820
	Decrease / (increase) in prepayments and accrued income	2,244,284	2,126,505
	Increase / (decrease) in accruals and deferred income	3,089,479	618,615
	Other changes in net working capital	80,881,809	(18,414,173)
3	**Cash flow after changes in net working capital**	**103,853,852**	**46,830,834**
	Other adjustments		
	Interest received / (paid)	(20,771,442)	(1,784,008)
	(Income taxes paid)	-	(45,948,601)
	Dividends collected	45,192,926	32,352,864
	(Use of funds)	(77,469,012)	(25,841,434)
	(Severance indemnities paid)	(625,638)	(884,774)
	Total cash flows from operating activities (A)	**50,180,686**	**4,724,881**

Amounts in Euro units		YEAR 2023	YEAR 2022
B	**Cash flows from investing activities**		
	Property, plant and equipment		
	(Investments)	(33,452,149)	(47,184,190)
	Disposal price	3,316,714	1,311,181
	Intangible assets		
	(Investments)	(19,963,223)	(19,939,687)
	Disposal price	-	-
	Financial assets		
	(Investments)	(336,691,154)	(56,198,562)
	Disposal price	153	7,287,659
	Current financial assets		
	(Investments)	-	-
	Disposal price	3,306,649	12,073,836
	Total cash flows from investing activities (B)	**(383,483,010)**	**(102,649,763)**
C	**Cash flows from financing activities**		
	Third-party funds		
	Increase (decrease) in short-term payables + other than to banks	246,554,868	(172,808,227)
	Increase (decrease) in financial payables to subsidiaries	27,343,651	(16,919,882)
	Own funds		
	(Dividends (and advances on dividends) paid)	(38,854,803)	(42,750,003)
	Total cash flows from financing activities (C)	**235,043,716**	**(232,478,112)**
	Increase (decrease) in cash and cash equivalents (A + - B + - C)	**(98,258,608)**	**(330,402,994)**
	Cash and cash equivalents at year-start	**152,928,307**	**483,331,301**
	Cash and cash equivalents at year-end	**54,669,699**	**152,928,307**

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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NOTES TO THE FINANCIAL STATEMENTS OF LUIGI LAVAZZA S.P.A.

STRUCTURE AND CONTENTS

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

Basis of preparation and measurement

The Financial Statements for the year ended 31 December 2023 have been prepared in compliance with the Italian Civil Code, interpreted and supplemented by the accounting standards drawn up and revised by the Italian Accounting Standard Setter (OIC) as amended and extended by Legislative Decree No. 139/2015 of 1 January 2016 and, in the absence of the former, and where no conflict exists, the standards issued by the International Accounting Standards Board (IASB).
In accordance with Articles 2423 and 2423-*bis* of the Italian Civil Code, the Financial Statements have been prepared on the basis of the going concern assumption, according to the general principles of prudence, accrual basis accounting and materiality, while taking account of the prevalence of the substance of a transaction or contract.
The criteria applied in measuring line items and determining adjustments are consistent with the provisions of the Italian Civil Code and are primarily set out under Article 2426.

The most significant measurement criteria adopted are illustrated below.

INTANGIBLE ASSETS

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

Start-up and expansion costs

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

Development costs

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

Rights for industrial patents and rights for exploitation of intellectual property

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

Concessions, licences, trademarks and similar rights

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

Goodwill

Goodwill is recognised among assets, with the consent of the Board of Statutory Auditors, if it is purchased for consideration, and is amortised according to its useful life.
The Company has exercised the option for prospective application, pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, of the changes to the method for determining the amortisation period 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.

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.

Financial receivables

Pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, the Company has opted for prospective application of the new basis of measurement for receivables at amortised cost and the discounting of receivables.

Consequently, financial receivables recognised prior to 1 January 2016 are carried at their nominal value, adjusted for impairment losses, if any. If the reasons for impairment subsequently cease to exist, the value is reversed up to the original value.

Financial receivables recognised on or after 1 January 2016 are measured at amortised cost, taking account of the time factor and their presumed realisable value.
Transaction costs, commissions payable and receivable, where applicable, and all differences between the initial value and nominal value at maturity are included in the calculation of amortised cost by using the effective interest criterion over the expected duration of the receivable.
It is possible not to apply the amortised cost criterion to receivables when its application is not material to a true and fair representation. The Company has exercised this option for these financial statements.

INVENTORIES

Inventories are recognised at the lesser of either purchase and/or production cost and expected realisable value based on market trends, taking into account the related ancillary selling costs.

The cost of inventories, measured based on the average cost for homogeneous category, includes directly connected ancillary charges. The production cost includes directly attributable costs and the reasonably attributable share of indirect production costs, with the inclusion of financial expense up to the limit of the realisable value of the asset.

In order to adequately represent the value of inventories in the financial statements, and to take into consideration the impairment losses of obsolete and slow-moving material, an obsolescence allowance on inventories has been recognised, which is directly deducted from the value of inventories.

The inventory write-down provision reflects the Company's estimate of expected impairment losses, as determined in light of past experience, as well as the historic trend and the expected market trend, including following specific actions undertaken by the Company.

RECEIVABLES AND PAYABLES

Pursuant to Article 12, paragraph 2, of Legislative Decree No. 139/2015, the Company has opted for prospective application of the new basis of measurement for receivables at amortised cost and the discounting of receivables.
Consequently, receivables recognised prior to the year beginning on 1 January 2016 are carried at their presumed realisable value, which corresponds to the difference between the nominal amounts of the receivables, adjusted by bad debt provisions, which are directly deducted from the items to which they refer, whereas payables are carried at their nominal values.

Receivables and payables recognised on or after 1 January 2016 are measured at amortised cost, considering the time factor and, in the case of receivables, their presumed realisable value.
The value at initial recognition is represented by the nominal value, net of all premiums, discounts, allowances and any costs directly attributable to the transaction that gave rise to the receivable or payable.

Transaction costs, commissions payable and receivable, where applicable, and all differences between the initial value and nominal value at maturity are included in the calculation of amortised cost by using the effective interest method over the duration of the receivable in question.
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 provision for the write-down of receivables, recognised as a deduction from the latter, 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.
Receivables/payables are classified as due within or after one year based on their contractual maturity.
Any factored receivables are derecognised if, and only if, essentially all risks associated with the receivable have been transferred. Otherwise, they continue to be carried forward, and a financial liability of equal amount is recognised to account for the advance received.

CASH AND CASH EQUIVALENTS

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

ACCRUALS AND DEFERRALS

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

PROVISIONS FOR RISKS AND CHARGES

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

PROVISIONS FOR PENSION AND SIMILAR BENEFITS

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

PROVISIONS FOR TAXES, INCLUDING DEFERRED

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

EMPLOYEE TERMINATION INDEMNITIES

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

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

Indemnities accrued from 1 January 2007 continue to be booked to item B9 C) "Employee termination indemnities". Item C "employee termination indemnities" of the Balance Sheet represents the residual provision carried at 31 December 2006, revalued as appropriate in accordance with the law. Item D13 "Social security liabilities" includes the amount accrued at year-end in respect of the share of employee termination indemnities still to be paid to pension 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 allocation of current IRAP (regional production tax) is recognised under "Tax receivables" in the Balance Sheet, if prepayments exceed the tax liability for the year, or under "Deferred tax liabilities" in the opposite case.

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

The prices applied in intra-group transactions were determined in accordance with international best practices, the OECD Transfer Pricing Guidelines and Italian legislation, as reported by the Company in its Master File and the National Documentation prepared pursuant to the Order of the Italian Revenue Authority of 23 November 2020.
In detail, it bears recalling that in 2021 the Company had signed an Advance Transfer Pricing Agreement (APA) with the Italian Revenue Agency for the 2021-2025 five-year period concerning the methods and criteria for calculating the fair market value of the assets transferred to its European subsidiaries. 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 five-year period 2016-2020.
Intra-group 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) pursuant to Article 31-*ter* of the Presidential Decree No. 600 of 29 September 1973 and Article 26 of the Convention between Italy and Germany concerning the 2014-2018 tax periods, renewed in 2022 for the 2019-2023 five-year period and for which a renewal application was submitted in 2023 for the 2024-2028 tax periods.
In addition, an application relating to the Italy-US Bilateral Advance Transfer Pricing Agreement was submitted in 2023 pursuant to Article 31-ter of the Presidential Decree No. 600 of 29 September 1973 and Article 25 of the Convention between Italy and the United States relating to transactions concerning Luigi Lavazza S.p.A. and Lavazza North America Inc. for the 2022-2026 period; this procedure covers the intra-group transactions already included in the previous agreement concerning the 2016-2020 period.

CURRENCY CONVERSION CRITERIA

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

DERIVATIVES

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

- Interest rate risk: this risk is tied to the variability of interest rates payable on floating-rate financing and lease contracts, driven by the fluctuation of market interest rates (Euribor);

- Exchange risk: this risk is tied to the variability of 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).

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.

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 01.01.2023	INCREASES	RECLASSIFICATION	(DECREASES)	BALANCE AT 31.12.2023
Development costs					
Gross value	22,148,074	-	40,039	-	22,188,113
Write-ups	-	-	-	-	-
(Write-down provision)	(635,977)	-	-	-	(635,977)
(Accumulated amortisation)	(12,993,144)	(2,317,017)	-	-	(15,310,161)
Net value	**8,518,953**	**(2,317,017)**	**40,039**	**-**	**6,241,975**
Industrial patent and intellectual property rights					
Gross value	18,351,336	-	-	-	18,351,336
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated amortisation)	(3,180,714)	(2,015,350)	-	-	(5,196,064)
Net value	**15,170,622**	**(2,015,350)**	**-**	**-**	**13,155,272**
Concessions, licenses and similar rights					
Gross value	187,840,158	581,747	5,000	-	188,426,905
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated amortisation)	(79,133,046)	(9,040,617)	-	-	(88,173,663)
Net value	**108,707,112**	**(8,458,870)**	**5,000**	**-**	**100,253,242**
Trademarks					
Gross value	162,521,986	-	-	-	162,521,986
Write-ups	303,949,656	-	-	-	303,949,656
(Write-down provision)	(3,623,965)	-	-	-	(3,623,965)
(Accumulated amortisation)	(366,623,729)	(7,546,848)	-	-	(374,170,577)
Net value	**96,223,948**	**(7,546,848)**	**-**	**-**	**88,677,100**
Goodwill					
Gross value	372,249,518	-	-	-	372,249,518
Write-ups	-	-	-	-	-
(Write-down provision)	(4,894,056)	-	-	-	(4,894,056)
(Accumulated amortisation)	(131,799,760)	(17,939,994)	-	-	(149,739,754)
Net value	**235,555,702**	**(17,939,994)**	**-**	**-**	**217,615,708**
Intangible assets in process and advances					
Gross value	13,433,193	19,244,689	(22,547,614)	-	10,130,268
(Write-down provision)	-	-	-	-	-
Net value	**13,433,193**	**19,244,689**	**(22,547,614)**	**-**	**10,130,268**
Other intangible assets					
Gross value	130,361,942	136,787	22,502,575	-	153,001,304
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated amortisation)	(53,483,728)	(17,100,844)	-	-	(70,584,572)
Net value	**76,878,214**	**(16,964,057)**	**22,502,575**	**-**	**82,416,732**
Total intangible assets					
Gross value	906,906,205	19,963,223	-	-	926,869,428
Write-ups	303,949,656	-	-	-	303,949,656
(Write-down provision)	(9,153,999)	-	-	-	(9,153,999)
(Accumulated amortisation)	(647,214,119)	(55,960,669)	-	-	(703,174,788)
Net value	**554,487,743**	**(35,997,446)**	**-**	**-**	**518,490,297**

The increase in item "concessions, licenses and similar rights", amounting to €581,747, was chiefly attributable to licenses for software for long-term use operating on to the Company's main applications, whereas reclassifications amounting to €5,000 referred to utilisations of miscellaneous rights.

The €19,244,689 increase in "intangible assets in process and advances" referred to advances on ongoing orders relating to new software with a duration of several years; the €22,547,614 reclassification was attributable to: (i) for €22,502,575 to IT costs relating to the development of software projects for long-term use; (ii) for €40,039 to the capitalisation of development costs for technological innovation in the field of machines; (iii) for €5,000 to costs relating to the utilisation of miscellaneous product rights.

The €136,787 increase in item "other intangible assets" was mainly attributable to costs for the maintenance of third-party buildings and costs for software development.

The following table shows the useful lives of fixed assets:

	2023
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.

TANGIBLE ASSETS

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

BALANCE SHEET ITEMS	BALANCE AT 01.01.2023	INCREASES	RECLASSIFICATION	(DECREASES)	BALANCE AT 31.12.2023
Land and buildings					
Gross value	109,561,383	57,800	1,017,569	-	110,636,752
Write-ups	35,220,715	-	-	-	35,220,715
(Write-down provision)	(6,851,645)	-	-	-	(6,851,645)
(Accumulated depreciation)	(58,057,927)	(1,956,007)	-	-	(60,013,934)
Net value	**79,872,526**	**(1,898,207)**	**1,017,569**	**-**	**78,991,888**
Plant and machinery					
Gross value	587,974,554	855,131	32,970,702	(17,500,143)	604,300,244
Write-ups	105,215,074	-	-	(3,382,695)	101,832,379
(Write-down provision)	(825,423)	-	-	26,459	(798,964)
(Accumulated depreciation)	(492,304,547)	(24,250,182)	-	17,965,035	(498,589,694)
Net value	**200,059,658**	**(23,395,051)**	**32,970,702**	**(2,891,344)**	**206,743,965**
Industrial and commercial equipment					
Gross value	193,346,886	10,824,272	325,718	(17,567,798)	186,929,078
Write-ups	1,165,417	-	-	-	1,165,417
(Write-down provision)	(5,842,391)	(1,129)	-	555,680	(5,287,840)
(Accumulated depreciation)	(152,224,926)	(18,110,366)	-	16,794,906	(153,540,386)
Net value	**36,444,986**	**(7,287,223)**	**325,718**	**(217,212)**	**29,266,269**
Other assets					
Furniture and fittings					
Gross value	25,656,934	459,461	73,686	(7,000)	26,183,081
Write-ups	-	-	-	-	-
(Write-down provision)	(16,633)	-	-	-	(16,633)
(Accumulated depreciation)	(18,941,913)	(1,421,840)	-	2,520	(20,361,233)
Net value	**6,698,388**	**(962,379)**	**73,686**	**(4,480)**	**5,805,215**
Means of transport					
Gross value	864,143	-	-	-	864,143
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(738,911)	(17,162)	-	-	(756,073)
Net value	**125,232**	**(17,162)**	**-**	**-**	**108,070**
Electronic machinery					
Gross value	27,213,749	1,603,278	9,327	(734,090)	28,092,264
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	(23,904,605)	(1,236,491)	-	530,412	(24,610,684)
Net value	**3,309,144**	**366,787**	**9,327**	**(203,678)**	**3,481,580**
Net value of other assets	**10,132,764**	**(612,754)**	**83,013**	**(208,158)**	**9,394,865**
Tangible assets in process and advances					
Gross value	33,596,999	19,652,205	(34,397,002)	-	18,852,202
Write-ups	-	-	-	-	-
(Write-down provision)	-	-	-	-	-
(Accumulated depreciation)	-	-	-	-	-
Net value	**33,596,999**	**19,652,205**	**(34,397,002)**	**-**	**18,852,202**
Total tangible assets					
Gross value	978,214,646	33,452,149	-	(35,809,031)	975,857,764
Write-ups	141,601,206	-	-	(3,382,695)	138,218,511
(Write-down provision)	(13,536,092)	(1,129)	-	582,139	(12,955,082)
(Accumulated depreciation)	(746,172,829)	(46,992,048)	-	35,292,873	(757,872,004)
Net value	**360,106,931**	**(13,541,028)**	**-**	**(3,316,714)**	**343,249,189**

The item "land and buildings" increased mainly due to the acquisition in the year of metal partition walls for the Settimo building for €57,800; the €1,017,569 reclassification referred to orders for improvements and refurbishing of the building located in Strada San Giorgio, of the Factory 1895 in Settimo Torinese and the construction of a carport in a waste collection area at the Turin plant in Strada Settimo.

The item "plant and machinery" grew: (i) by €855,131 as a result of purchases of industrial machinery and (ii) by €32,970,702 for reclassifications regarding the entry into operation of two packaging lines, one for Nespresso® compatible aluminium capsules and one for whole-bean packaging, as well as a palletisation area at the Turin plant.
Net decreases, amounting to €2,891,344, 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 €10,824,272, , 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 €325,718, attributable to the closing of advances for mould purchases.
Net decreases amounted to €217,212 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 "other assets" increased as a result of:

- purchases in the year of furniture and fittings for €459,461 and reclassifications for €73,686 mainly due to the purchase in the year of the artwork "Torino, i quartieri" and furnishings for the Headquarters. The €4,480 net decrease related to the disposal of obsolete furnishings;

- purchases of electronic machinery for €1,603,278 and reclassifications for €9,327, primarily relating to computers and IT equipment. The €203,678 net decrease related to the disposal of obsolete equipment.

The increase in "tangible assets in process and advances", amounting to €19,652,205, mainly referred to: (a) costs incurred for changes to one aluminium production line (€4,552,853), (b) adjustments and efficiency-increasing works at several plants (€3,549,494); (c) costs for innovating and upgrading plants and machines (€3,023,564), (d) replacement of ground coffee lines (€1,709,172); (e) roasting plants (€1,547,032); (f) adjustments to safety systems (€1,054,537); (g) costs for the GStar packaging line (€613,663).
Reclassifications amounted to €34,397,002 and were chiefly attributable to: (i) for €32,970,702 to the construction of new production lines and industrial plants, (ii) for €1,017,569 to improvements and refurbishing of industrial buildings, and (iii) for €325,318 to the purchase of new industrial equipment.
The Directors' Single Report on Operations provides detailed information on investments made during the year.

The following table shows the useful lives of fixed assets:

	2023
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 and 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 HoReCa 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 2023:

	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	-	-	27934754	8,198,663			65,378,832	101,832,379
Moulds	-	-	-	-	187,476	977,941	-	-	-	1,165,417
Lavazza trademark	-	-	46,481,121	-	77,468,535	100,000,000	80,000,000	-	-	303,949,656
Total	**51,485**	**365,361**	**46,481,121**	**2,519,706**	**105,590,765**	**109,176,604**	**80,000,000**	**32,604,293**	**65,378,832**	**442,168,167**

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

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

	AMOUNT
Assets	
a) Agreements in force:	
Assets under finance lease at the end of the previous year	98,119,056
+ 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	94,608,641
b) Redeemed assets	
Total greater value of redeemed assets	**-**
c) Liabilities	
Constructive payables for finance lease transactions at the end of the previous year	67,094,096
+ Constructive payables arisen during the year	-
- Repayment of portions of principal and redemptions made during the year	(4,597,337)
Constructive payables for finance lease transactions at the end of the year	62,496,759
d) Reversal of prepayments associated with finance leases	**16,123,884**
e) Reversal of payables for rent yet to be paid	**-**
f) Total gross effect at the end of the year (a + b - c - d - e)	**15,987,998**
g) Tax effect	**(4,460,651)**
h) Effect on equity at the end of the year (f - g)	**11,527,346**
Effect on the statement of profit or loss	-
Reversal of rent on finance leases	6,070,366
Recognition of financial expense on finance leases	(1,649,557)
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	910,394
Recognition of the tax effect	(254,000)
Effect on profit or loss of recognition of finance leases	**656,394**

FINANCIAL ASSETS

Investments

Investments at 31 December 2023 were broken down as follows:

COMPANY NAME	HISTORIC COST	PRIOR YEARS' WRITE-DOWNS	VALUE AT 01.01.2023	INCREASES	MERGER	DECREASES	VALUE AT 31.12.2023
Subsidiaries							
Lavazza Australia Pty Ltd	4,804,617	-	4,804,617	-	-	-	4,804,617
Lavazza Argentina S.A. in liquid.	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	(117,825,397)	14,174,603	-	-	(8,000,000)	6,174,603
Lavazza Japan GK	343,495	-	343,495	-		-	343,495
Lavazza Premium Coffees Co.	10,164,635	-	10,164,635	-	(10,164,635)	-	-
Lavazza Professional Holding NA Inc.	410,358,150	-	410,358,150	-	(410,358,150)	-	-
Lavazza North America Inc.	-	-	-		420,522,785	-	420,522,785
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.	98,500,000	-	98,500,000	164,929,088	-	-	263,429,088
Kicking Horse Coffee Co. Ltd	133,646,557	-	133,646,557	-	-	-	133,646,557
Lavazza Denmark ApS	12,119,140	-	12,119,140	-	-	-	12,119,140
Nims S.p.A.	63,091,425	-	63,091,425	7,590	-	-	63,099,015
Total subsidiaries	**1,528,368,142**	**(165,582,185)**	**1,362,785,957**	**164,936,678**	**-**	**(8,000,000)**	**1,519,722,635**
Associates							
Y&L Coffee Ltd	36,509,327	-	36,509,327	33,178,500	-	-	69,687,827
International Coffee Partners G.m.b.H.	25,000	-	25,000	-	-	-	25,000
Total associates	**36,534,327**	**-**	**36,534,327**	**33,178,500**	**-**	**-**	**69,712,827**
Other companies							
Casa del Commercio e Turismo S.p.A.	6,094	-	6,094	-	-	-	6,094
Connect Ventures One LP	6	-	6	-	-	-	6
Consorzio Nazionale Imballaggi	5	-	5	-	-	-	5
ZKB ZADRUZNA KRASKA BANKA TRST	153	-	153	-	-	(153)	-
Total other companies	**6,258**	**-**	**6,258**	**-**	**-**	**(153)**	**6,105**
Total investments	**1,564,908,727**	**(165,582,185)**	**1,399,326,542**	**198,115,178**	**-**	**(8,000,153)**	**1,589,441,567**

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. E-Coffee Solutions S.r.l. in the amount of €164,929,088
The increase referred to the capital contribution made in the year in favour of the subsidiary and subscribed in March and October 2023.

2. Nims S.p.A. in the amount of € 7,590
The increase was due solely to the purchase of shares held by minority shareholders.

The €33,178,500 increase in the year was due to the capitalisation of associates and was attributable to the company Y&L Coffee Ltd.
The €8,000,000 decrease in the year related to the distribution of share premium accounts by Lavazza Netherlands B.V. following the partial divestment of Fresh and Honest Café Limited, as per the resolution dated 14 June 2023.
It should be noted that at the date of approval of these financial statements the subsidiaries Merrild Kaffee ApS and Merrild Baltics SIA changed their name into Lavazza Denmark ApS and Lavazza Baltics SIA, respectively.

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

COMPANY NAME	REGISTERED OFFICE	SHARE CAPITAL	EQUITY	PROFIT/(LOSS) FOR THE YEAR	% HELD	CARRYING VALUE
Subsidiaries						
Lavazza Argentina S.A. in liquid.	Buenos Aires	3,312	49,926	(10,863)	97.54	-
Lavazza Australia Pty Ltd *	Hawthorn	4,511,129	6,281,838	740,103	100.00	4,804,617
Lavazza Capital S.r.l.	Turin	200,000	496,306,261	7,505,763	100.00	476,400,000
Lavazza Coffee (UK) Ltd	Uxbridge	1,154	5,705,099	911,128	100.00	14,843
Lavazza Deutschland G.m.b.H.	Frankfurt	210,000	11,509,093	9,296,654	100.00	153,227
Lavazza do Brasil Ltda	Rio de Janeiro	14,391,964	(768,233)	16,417	99.53	-
Lavazza France S.a.s.	Boulogne	21,445,313	29,680,657	1,575,949	100.00	27,939,862
Lavazza Kaffee G.m.b.H.	Vienna	218,019	1,865,676	723,413	100.00	163,854
Lavazza Maroc S.a.r.l.	Casablanca	918	123,039	14,053	100.00	904
Lavazza Netherlands B.V.	Amsterdam	111,500,000	4,490,827	(1,683,342)	100.00	6,174,603
Lavazza North America Inc.	Westchester	27,901,079	416,255,167	1,408,678	100.00	420,522,785
Lavazza Japan GK	Tokyo	6	(1,128,974)	136,499	100.00	343,495
Lavazza Spain S.L.	Barcelona	1,090,620	745,876	12,377	100.00	547,723
Lavazza Sweden AB	Stockholm	8,979	3,497,718	366,030	100.00	1,855,000
Lavazza Trading (Shenzhen) Co.Ltd	Shenzhen	1,045,137	1,203,184	48,518	100.00	1,000,000
E-Coffee Solutions S.r.l.	Turin	1,000,000	258,811,093	(4,277,362)	100.00	263,429,088
Carte Noire S.a.s.	Boulogne	103,830,406	122,131,639	12,824,940	100.00	104,444,203
Cofincaf S.p.A.	Turin	3,000,000	13,300,447	209,373	99.00	3,063,719
Kicking Horse Coffee Co. Ltd	Invermere	127,750,873	157,717,009	3,700,024	100.00	133,646,557
Lavazza Denmark ApS	Middelfart	6,707	13,387,703	4,053,278	100.00	12,119,140
Nims S.p.A.	Padua	3,000,000	34,354,734	3,436,745	97.43	63,099,015
Associates						
Y&L Coffee Ltd	Hong Kong	199,293,414	121,706,817	(18,951,460)	35.00	69,687,827

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

At the beginning of the year, the US company Lavazza Premium Coffee Corp. merged into Lavazza Professional Holding NA Inc., and accordingly changed its name into Lavazza North America Inc.

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 2023.In order to provide complete information, the table below reports a list of the main indirectly controlled or associate 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	58,788,528	1,232,890	Carte Noire S.a.s.	56,212,128	100
Fresh and Honest Café Limited	Chennai	993,010	14,499,465	(1,953,064)	Lavazza Netherlands B.V.	3,348,336	24
MaxiCoffee Group S.a.s.	Gardanne	162,056,067	163,652,463	(40,534)	E-Coffee Solutions S.r.l.	163,077,187	99.3
Lavazza Baltics SIA	Riga	2,828	4,435,308	1,435,530	Lavazza Denmark ApS	4,435,308	100
Lavazza Professional France S.a.s.	Roissy CDG	279,706	(412,794)	111,907	E-Coffee Solutions S.r.l.	8,694,173	100
Lavazza Professional Germany G.m.b.H.	Verden	50,000	2,336,723	2,363,685	E-Coffee Solutions S.r.l.	75,480,570	100
Lavazza Professional UK Ltd	Basingstoke	43,273,235	43,783,092	2,950,710	E-Coffee Solutions S.r.l.	62,352,393	100

RECEIVABLES

They consist of:

	31.12.2023	31.12.2022	CHANGES
Receivables from subsidiaries	200,762,756	51,740,727	149,022,029
Other receivables	252,979	307,412	(54,433)
Total	**201,015,735**	**52,048,139**	**148,967,596**

Receivables from subsidiaries included:

- the long-term financial receivable from Lavazza Australia Pty Ltd for: (i) the AUD 1,570,431 (€982,734) 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; and (ii) AUD 12,000,000 (€7,361,625) of the loan granted in 2017 to Lavazza Australia OCS Pty bearing interest at a floating rate benchmarked on the 6-month ASX Australian Bank Bill Short Term Rates. Said loan was renewed in 2023, with a 7-year duration, and transferred to Lavazza Australia Pty following the sale of assets and liabilities between the two companies;

- the long-term financial receivable from E-Coffee Solution S.r.l. for: (i) the €39,343,812 residual amount of the 10-year loan granted in 2018 bearing interest at a floating rate benchmarked on the twelve-month Euribor; and (ii) €150,274,300 of the 10-year loan granted in 2023 bearing interest at a floating rate benchmarked on the six-month Euribor;

- the long-term financial receivable from Lavazza Japan GK, granted in 2021, which expired and was renewed in 2023, with a 5-year duration, for JPY 437,768,549 (€2,800,285), bearing interest at a floating rate benchmarked on the TONA (Tokyo Overnight Average Rate), which had replaced the Libor JPY.

Item "other receivables" consisted of financial receivables from Connect Ventures One LP (€25,818), a company that invests in European Web business start-ups, and of security deposits (€227,161).
All receivables are due after one year.

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, and to the variability of interest rates payable on floating-rate financing and lease contracts attributable to the fluctuation of market interest rates.

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 2023 with a duration in excess of 12 months, contracted in order to hedge against foreign exchange and interest rate risks.

NON-CURRENT DERIVATIVE ASSETS

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET/ LIABILITY
EUR 201,681	Exchange rate risk	1,573	Sales
EUR 300,000,000	Interest rate risk	20,260,379	Loan
Total		**20,261,952**	

The following table shows movements for the year:

	31.12.2023	31.12.2022	CHANGES
Derivatives to hedge exchange rate risk	1,573	126,537	(124,964)
Derivatives to hedge interest rate risk	20,260,379	26,987,183	(6,726,804)
Total	**20,261,952**	**27,113,720**	**(6,851,768)**

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
Investments in other companies:		
Other	6,105	6,105
Total investments in other companies	**6,105**	**6,105**
Other receivables:		
Financial receivables from subsidiaries	200,762,756	200,762,756
Guarantee deposits	227,161	227,161
Receivables from Connect Ventures One LP	25,818	895,047
Total other receivables	**201,015,735**	**201,884,964**

CURRENT ASSETS

Inventories

	31.12.2023	31.12.2022	CHANGES
Raw materials, ancillaries and consumables	210,809,151	305,356,336	(94,547,185)
Accumulated depreciation of raw materials, ancillaries and consumables	(3,150,000)	(3,540,477)	390,477
Raw materials, ancillaries and consumables (net value)	**207,659,151**	**301,815,859**	**(94,156,708)**
Work-in-process and semi-finished goods	7,513,505	7,315,575	197,930
Accumulated depreciation for work-in-process and semi-finished goods	(1,000,000)	(1,000,000)	-
Work-in-process and semi-finished goods (net value)	**6,513,505**	**6,315,575**	**197,930**
Finished products and goods	147,080,784	169,425,181	(22,344,397)
Accumulated depreciation of finished products and goods	(13,800,000)	(15,972,609)	2,172,609
Finished products and goods (net value)	**133,280,784**	**153,452,572**	**(20,171,788)**
Total	**347,453,440**	**461,584,006**	**(114,130,566)**
Advance payments	**561,206**	**1,381,299**	**(820,093)**
Overall total	**348,014,646**	**462,965,305**	**(114,950,659)**

The value of inventories amounted to €348,014,646 at 31 December 2023. The €114,950,659 decrease was chiefly attributable to the green coffee component, significantly impacted by the decline in stocked volumes, as well as to the Roast&Ground and capsule finished products due to lower stocks.

As described in greater detail in the Report on Operations with regard to commodity risk management, at the beginning of 2023 green coffee prices increased by +13% for Arabica and by +58% for Robusta.

In the first half of the year, the Arabica prices neared and then exceeded 200 $cts/lb, reaching 205 $cts/lb in April and then 209 $cts/lb in mid-December, to then retrace back to around 188 $cts/lb.

For Robusta, 2023 was a record year in terms of price increases: from 1,926 $/tonne for the first exchange position at the beginning of the year, the price reached 3,046 $/tonne on the last day of December, with a high of 3,179 $/ton on 21 December.

At 31 December 2023, inventories were recognised net of an inventory write-down provision totalling €17,950,000 set aside for obsolete and slow-moving materials, with particular reference to coffee machines and related spare parts, advertising material, plant spares and packaging.

Receivables

The following table show movements of receivables and their adjustments during the year and the balance at 31 December 2023:

	ORIGINAL COST 31.12.2022	INCREASES (DECREASES)	ORIGINAL COST 31.12.2023	ACCUMULATED DEPRECIATION AT 31.21.2022	PROVISIONS	USES	ACCUMULATED DEPRECIATION AT 31.21.2023	EXPECTED REALISABLE VALUE AT 31.12.2023
Trade receivables	98,085,337	29,982,802	128,068,139	5,346,356	372,410	(1,013,718)	4,705,048	123,363,091
Receivables from subsidiaries	334,894,665	2,536,124	337,430,789	-	-	-	-	337,430,789
Receivables from associates	941,421	(96,824)	844,597	-	-	-	-	844,597
Receivables from parent companies	23,663,564	9,793,929	33,457,493	-	-	-	-	33,457,493
Receivables from related parties	2,010,996	1,979,968	3,990,964	-	-	-	-	3,990,964
Tax receivables	52,801,455	(33,406,658)	19,394,797	-	-	-	-	19,394,797
Deferred tax assets	49,380,925	494,583	49,875,508	-	-	-	-	49,875,508
Other receivables	18,479,389	(14,348,004)	4,131,385	-	-	-	-	4,131,385
Total	**580,257,752**	**(3,064,080)**	**577,193,672**	**5,346,356**	**372,410**	**(1,013,718)**	**4,705,048**	**572,488,624**

All receivables at 31 December 2023 are due within one year.

An adjustment provision totalling €4,705,048 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.

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	69,537,091	42,130,306	4,582,235	2,070,045	44,360	4,999,054	123,363,091
Receivables from subsidiaries	20,822,850	205,728,368	37,450,927	62,137,780	9,506,639	1,784,225	337,430,789
Receivables from associates	-	-	-	-	-	844,597	844,597
Receivables from parent companies	33,457,493	-	-	-	-	-	33,457,493
Receivables from related parties	3,990,964	-	-	-	-	-	3,990,964
Tax receivables	17,417,738	1,977,059	-	-	-	-	19,394,797
Deferred tax assets	49,875,508	-	-	-	-	-	49,875,508
Other receivables	3,631,956	285,555	78,022	74,075	-	61,777	4,131,385
Total	**198,733,600**	**250,121,288**	**42,111,184**	**64,281,900**	**9,550,999**	**7,689,653**	**572,488,624**

Receivables from subsidiaries and associates refer to the following companies:

	31.12.2023	31.12.2022	CHANGES
Trade receivables:			
Direct subsidiaries			
Lavazza Australia Pty Ltd	9,258,183	12,530,739	(3,272,556)
Lavazza Capital S.r.l.	100,000	-	100,000
Lavazza Coffee (UK) Ltd	25,269,263	34,997,130	(9,727,867)
Lavazza Deutschland G.m.b.H.	72,868,459	76,259,923	(3,391,464)
Lavazza do Brasil Ltda	1,168,029	1,136,253	31,776
Lavazza France S.a.s.	15,499,226	19,469,094	(3,969,868)
Lavazza Japan GK	1,733,861	1,033,607	700,254
Lavazza Kaffee G.m.b.H.	6,262,069	6,106,219	155,850
Lavazza Maroc S.a.r.l.	30,539	15,794	14,745
Lavazza Netherlands B.V.	11,714	338,061	(326,347)
Lavazza North America Inc.	57,264,704	-	57,264,704
Lavazza Premium Coffees Co.	-	33,219,167	(33,219,167)
Lavazza Spain S.L.	92,041	40,049	51,992
Lavazza Sweden AB	262,107	1,782,532	(1,520,425)
Carte Noire S.a.s.	90,636,709	80,886,597	9,750,112
Cofincaf S.p.A.	90,904	93,961	(3,057)
E-Coffee Solutions S.r.l.	4,953,861	-	4,953,861
Kicking Horse Coffee Co. Ltd	483,727	520,414	(36,687)
Lavazza Denmark ApS	12,814,088	5,682,376	7,131,712
Nims S.p.A.	10,352,897	8,969,537	1,383,360
Associates			
Fresh and Honest Café Limited	173,260	120,189	53,071
Yi Bai Coffee Co. Ltd	671,337	941,421	(270,084)
Controlled by the same parent company			
Lavazza Eventi S.r.l.	483,585	588,664	(105,079)
Lea S.r.l.	303,225	186,793	116,432
Indirect subsidiaries			
Lavazza Australia OCS Pty Ltd	-	510,892	(510,892)
Lavazza Professional France S.a.s.	350,874	545,635	(194,761)
Lavazza Professional Germany G.m.b.H.	3,448,895	4,976,497	(1,527,602)
Lavazza Professional NA LLC	-	6,303,433	(6,303,433)
Lavazza Professional UK Ltd	2,708,598	3,320,777	(612,179)
Lavazza Professional UK Operating Services Ltd	252,410	135,518	116,892
Carte Noire Operations S.a.s.	327,183	227,444	99,739
Lavazza Baltics SIA	806	990	(184)
Total trade receivables	**317,872,554**	**300,939,706**	**16,932,848**
Financial receivables:			
Direct subsidiaries			
Lavazza Australia Pty Ltd	248,456	10,754	237,702
Lavazza Japan GK	19,825	11,667	8,158
Lavazza North America Inc.	216,285	-	216,285
Lavazza Professional Holding NA Inc.	-	11,067,119	(11,067,119)
Carte Noire S.a.s.	25,395	-	25,395
Cofincaf S.p.A.	323	-	323
E-Coffee Solutions S.r.l.	5,324,865	590,593	4,734,272
Kicking Horse Coffee Co. Ltd	3,005,035	7,202,216	(4,197,181)
Indirect subsidiaries			
Lavazza Australia OCS Pty Ltd	-	204,834	(204,834)
Lavazza Professional France S.a.s.	3,126,738	3,384,399	(257,661)
Lavazza Professional NA LLC	-	8,981,211	(8,981,211)
Lavazza Professional UK Ltd	9,220,656	4,218,738	5,001,918
Carte Noire Operations S.a.s.	2,064	306	1,758
Controlled by the same parent company			
Lavazza Eventi S.r.l.	-	187,939	(187,939)
Lea S.r.l.	3,204,154	1,047,600	2,156,554
Total financial receivables	**24,393,796**	**36,907,376**	**(12,513,580)**
Total	**342,266,350**	**337,847,082**	**4,419,268**

At the beginning of the year, the US company Lavazza Premium Coffee Corp. merged into Lavazza Professional Holding NA Inc., and accordingly changed its name into Lavazza North America Inc.

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 2023 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 €19,394,797 may be broken down as follows:

- Receivables from the revenue authorities:

  - €2,481,583 VAT credits towards the Italian Revenue Authority;
  - €1,977,059 from foreign revenue authorities in connection with direct identification for VAT purposes in the countries concerned.

- Credit for investments in new capital goods 4.0:

  - €1,655,391 for the 2020 credit for investments in new capital goods 4.0 L 160/2019;
  - €1,054,598 for the 2021 credit for investments in new capital goods 4.0 L 178/2020;
  - €1,169,686 for the 2022 credit for investments in new capital goods 4.0 L 178/2020;
  - €3,057,551 for the 2023 credit for investments in new capital goods 4.0 4.0 L 178/2020;

- R&D credit - Technological Innovation and Green IT:

  - 398,739 for the 2021 R&D credit L 160/2019 and L 178/2020;
  - €365,253 for the 2022 R&D credit L 160/2019 and L 178/2020;
  - €103,417 for the 2023 R&D credit L 160/2019 and L 178/2020;
  - €103,313 for the 2021 Technological Innovation and Green IT credit L 160/2019 and L 178/2020;
  - €752,341 for the 2022 Technological Innovation and Green IT credit L 160/2019 and L 178/2020;
  - €801,989 for the 2023 Technological Innovation and Green IT credit L 160/2019 and L 178/2021.

- Other receivables:

  - €4,015,658 for IRAP credit;
  - €646,750 for the Art bonus D.L. 83/14 et seqq., of which €432,250 referring to previous financial years;
  - €482,568 for IRPEF credit;
  - €200,000 for the 2020 advertising bonus D.L. 50/217 et seqq.;
  - €120,000 for credit for investments in ordinary capital goods L 160/2019;
  - €7,042 for minor credits;
  - €1,859 for the 2022 Utilities credit - Energy and Gas.

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 €4,131,385 and referred primarily to advances to suppliers of €1,579,777 and receivables from personnel and from social security institutions for insurance policies for employees amounting to €2,269,946.

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.

CURRENT DERIVATIVE ASSETS

The following table provides the related breakdown:

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
EUR 35,017,985	Exchange rate risk	699,007	Sales/Purchases of green coffee
Total		**699,007**	

The following table shows movements for the year:

	31.12.2023	31.12.2022	CHANGES
Derivatives to hedge exchange rate risk	699,007	970,481	(271,474)
Derivatives to hedge interest rate risk	-	3,035,175	(3,035,175)
Total	**699,007**	**4,005,656**	**(3,306,649)**

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:

	31.12.2023	31.12.2022	CHANGES
Bank accounts	22,616,868	123,428,862	(100,811,994)
Post office accounts	127,568	145,349	(17,781)
Foreign currency accounts	31,820,861	29,223,615	2,597,246
Cash and valuables on hand	104,402	130,481	(26,079)
Total	**54,669,699**	**152,928,307**	**(98,258,608)**

For the analysis of the main cash flows that generated a €98 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 24,168,332 and were primarily funded by market purchases, collections of receivables from the U.S. subsidiary Lavazza North America Inc., 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 subsidiary Lavazza North America Inc.
Foreign currency accounts also included cash balances of £4,440,710, DKK 33,290,373 and SEK 4,132,758 generated, respectively, by the cash flows arising from the cash pooling arrangements between Luigi Lavazza S.p.A. and the English subsidiaries — Lavazza Coffee UK Ltd, Lavazza Professional UK Ltd, and Lavazza Professional Operating Services Limited —, and the Nordics cluster' subsidiaries — Lavazza Sweden AB and Lavazza Denmark ApS — and any receivables collected from these subsidiaries.

PREPAYMENTS AND ACCRUED INCOME

The item consists of the following:

	31.12.2023	31.12.2022	CHANGES
Prepayments:			
of lease contracts	16,123,884	17,570,800	(1,446,916)
of advertising expenses	1,940,584	2,755,947	(815,363)
of software leases	2,785,683	2,640,230	145,453
CO_2 neutrality	2,148,633	2,304,343	(155,710)
of derivatives	1,151,922	745,451	406,471
of maintenance contracts	375,454	347,436	28,018
of insurance premiums	155,854	196,632	(40,778)
Other	864,928	1,230,387	(365,459)
Total prepayments	**25,546,942**	**27,791,226**	**(2,244,284)**
Total prepayments and accrued income	**25,546,942**	**27,791,226**	**(2,244,284)**

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 (€15,970,468) is as follows: €1,445,230 within one year, €5,780,918 between 1 and 5 years and €8,744,320 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 2023.

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

NEGATIVE CHANGE IN TIME VALUE OF DERIVATIVES

NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	CHANGE IN TIME VALUE	HEDGED ASSET / LIABILITY
EUR 19,242,137	Exchange rate risk	30,134	Sales
EUR 2,933,057	Exchange rate risk	49,551	Sales
Total		**79,685**	

PREPAYMENTS ON NEGATIVE CHANGE IN TIME VALUE OF DERIVATIVES

	31.12.2023	31.12.2022	CHANGES
Forward points based on spot exchange rate	30,134	297,736	(267,602)
Time value of options on exchange rates	49,551	-	49,551
Total	**79,685**	**297,736**	**(218,051)**

PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

In the reporting year, the sale of the industrial property located in Baranzate was finalised for €5,250,000, for which sale agreements had been previously signed, bringing to zero item C) V) "Property, plant and equipment held for sale" — previously added to the current assets section of the balance sheet, in accordance with the accounting standard OIC 16 and pursuant to Article 2423-*ter*, paragraph 3, of the Italian Civil Code.

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	DISTRIBUTABLE PORTION
Capital	25,090,000		**-**
Capital reserves			
Share premium account	9,133,523	A B C	9,133,523
Revaluation reserves	426,580,270	A B C	426,580,270
Reserve from profits			
Legal reserve	5,018,000	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 arising on net exchange gains	-	B	-
- Merger surplus reserve	56,953,074	A B C	56,953,074
Retained earnings	1,636,461,545	A B C	1,636,461,545
Negative reserve for treasury shares	(17,732,533)	restricted	(17,732,533)
Hedge reserve for expected cash flows	7,490,798	restricted	-
Total	**2,361,463,599**		**2,323,864,801**
Non-distributable portion*			**6,877,953**
Distributable portion			**2,316,986,848**

Legend:

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

* equal to the portion of development expenses not yet amortised

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

SHARE CAPITAL

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

REVALUATION RESERVES

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

	31.12.2023
Re. Law 576/75 *	28,033
Re. Law 72/83 **	267,518
Re. Law 408/90	25,096,319
Re. Law 413/91	5,680,818
Re. Law 342/2000 ***	103,048,413
Re. Law 448/2001	5,100,000
Re. Law 350/2003 ****	93,900,327
Re. Law 266/2005	70,400,000
Re. Law 185/2008	58,200,000
Re. Law 104/20	64,858,842
Total revaluation reserves	**426,580,270**

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

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

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

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

NEGATIVE RESERVE FOR TREASURY SHARES

In accordance with Legislative Decree of 18 August 2015, implementing Directive No. 2013/34/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:

	31.12.2021	INCREASES FOR FAIR VALUE CHANGES	DECREASES FOR FAIR VALUE CHANGES	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	31.12.2022	INCREASES FOR FAIR VALUE CHANGES	DECREASES FOR FAIR VALUE CHANGES	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	31.12.2023
Derivatives to hedge exchange rate risk	9,385,372	45,105,324	(66,882,609)	-	3,457,344	(8,934,570)	20,664,799	(17,012,380)	-	1,473,720	(3,808,431)
Derivatives to hedge commodity risk	30,940,844	19,663,294	(65,717,254)	-	4,216,560	(10,896,557)	10,896,557	-	-	-	-
Derivatives to hedge interest rate risk	389,059	28,331,485	-	(6,892,930)	-	21,827,613	14,867,406	(21,827,613)	(3,568,177)	-	11,299,229
Total	**40,715,275**	**93,100,102**	**(132,599,864)**	**(6,892,930)**	**7,673,904**	**1,996,486**	**46,428,762**	**(38,839,993)**	**(3,568,177)**	**1,473,720**	**7,490,798**

At 31 December 2023, €7,490,798 of lower hedging costs that will have an impact in 2024 remained suspended in equity. This item primarily relates to foreign exchange and interest rate hedging.

Statement of changes in equity:

	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	REVALUATION RESERVE	LEGAL RESERVE
Balances at 31.12.2021	**25,000,000**	**223,523**	**426,580,270**	**5,000,000**
Allocation of profit for the year				
-allocation of dividends (€1.47 per share)				
- other allocations				
Other changes				
-increases	90,000	8,910,000		
-decreases				
-reclassification				
Result for the previous year				
Balances at 31.12.2022	**25,090,000**	**9,133,523**	**426,580,270**	**5,000,000**
Allocation of profit for the year				
-allocation of dividends (€1.72 per share)				
- other allocations				18,000
Other changes				
-increases				
-decreases				
-reclassification				
Result for the previous year				
Balances at 31.12.2023	**25,090,000**	**9,133,523**	**426,580,270**	**5,018,000**

OTHER RESERVES	HEDGE RESERVE FOR EXPECTED CASH FLOWS	RETAINED EARNINGS	PROFIT/(LOSS) FOR THE YEAR	NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	TOTAL
269,421,996	**40,715,275**	**1,545,635,100**	**103,604,137**	**(17,732,533)**	**2,398,447,767**
			(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)
					-
					-
274,441,652	**1,996,486**	**1,601,469,577**	**68,845,115**	**(17,732,533)**	**2,394,824,090**
			(38,854,803)		(38,854,803)
		29,972,312	(29,990,312)		-
					-
	5,494,312		39,583,816		45,078,128
					-
(5,019,656)		5,019,656			-
					-
269,421,996	**7,490,798**	**1,636,461,545**	**39,583,816**	**(17,732,533)**	**2,401,047,415**

In the year, the retained earnings reserve increased due both to the undistributed share of the profit from the previous year amounting to €29,972,312, and the release of the restricted reserve for exchange gains for €5,019,656, since the reasons for its allocation ceased to exist.

The legal reserve increased by €18,000, reaching the limit of one fifth of the share capital, as set forth by Article 2430 of the Italian Civil Code.

PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2022	EFFECT OF HEDGING DERIVATIVES	PROVENTISATIONS	PROVISIONS FOR THE YEAR	USES FOR THE YEAR	31.12.2023
Provisions for taxes, including deferred:						
provision for taxes	953,636	-	-	-	(355,837)	597,799
provision for deferred tax liabilities	8,329,223	(3,324,753)	-	940,612	-	5,945,082
Total provisions for taxes, including deferred	**9,282,859**	**(3,324,753)**	**-**	**940,612**	**(355,837)**	**6,542,881**
Other provisions:						
provision for legal issues	17,618,834	-	-	1,257,831	(943,248)	17,933,417
provision for guarantees and endorsements	3,811,439	-	-	26,864	(67,150)	3,771,153
provision for product warranties	2,700,001	-	(300,000)	-	-	2,400,001
provision for agents' customer compensation	2,699,906	-	(11,746)	273,250	(126,041)	2,835,369
provision for future risks and charges	30,726,525	-	(4,131,780)	2,215,831	(3,476,130)	25,334,446
provision for sundry personnel costs	59,411,127	-	(903,736)	17,081,827	(51,095,174)	24,494,044
provision for contests	321,642	-	-	100,000	-	421,642
provision for restructuring and reorganisation	9,950,000	-	(192,808)	1,500,000	(1,010,567)	10,246,625
derivative liabilities	19,079,880	(11,530,042)	-	-	-	7,549,838
Total other provisions	**146,319,354**	**(11,530,042)**	**(5,540,070)**	**22,455,603**	**(56,718,310)**	**94,986,535**
Total provisions	**155,602,213**	**(14,854,795)**	**(5,540,070)**	**23,396,215**	**(57,074,147)**	**101,529,416**

The provision for taxes amounted to €597,799 and was drawn down for €355,837, mainly to cover the greater charge arising from the settlement of a VAT litigation with a foreign tax authority.

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 €17,933,417 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 €1.3 million to cover charges for litigation with customers and/or distributors. The utilisation of €943,248 referred to the netting of legal and settlement agreement 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 amounting to approximately €1.5 million.

The provision for guarantees and endorsements amounted to €3,771,153 and was established to account for possible future losses on loans granted by the subsidiary Cofincaf S.p.A. to vending and HoReCa operators and fully or partly guaranteed by the Company.

The provision for agents' customer compensation amounted to €2,835,369 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 to the liquidation paid to several agents for €137,787 and to the amount set aside for the share due in the year for €273,250.

The provision for product warranties amounted to €2,400,001 and referred to the estimated 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 amounted to €25,334,446 and increased in the year by €2.2 million mainly as a result of the continuation and development of industrial projects to convert production lines for the production of increasingly 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 €3.4 million for the scrapping of production lines of plastic capsules, which continued to be replaced by the new aluminium capsules with lower environmental impact. The €4.1 million amount reversed to income in the year referred mainly to the elimination of risks relating to the recoverability of investments in the Away From Home channel, in both the OCS and Food Service segments, made in previous years in response to the weakness of the channel due to the Covid-19 pandemic.

The provision for sundry personnel costs amounted to €24,494,044 and included the accruals and uses for employee bonuses and incentives.

The provision for contests amounted to €421,642 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 and reorganisation amounted to €10,246,625, including the charges incurred for company reorganisation. In the year, the provision rose by €1.5 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 2023.

The following table provides a detailed description:

	NOTIONAL VALUE	UNDERLYING FINANCIAL RISK	FAIR VALUE	HEDGED ASSET / LIABILITY
Current derivative liabilities				
on exchange rates	EUR 227,336,535	Exchange rate risk	7,539,606	Sales/ Purchases of green coffee
Total			**7,539,606**	
Non-current derivative liabilities				
on exchange rates	EUR 1,914,462	Exchange rate risk	10,232	Sales/ Purchases of green coffee
Total			**10,232**	
Total			**7,549,838**	

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.

The following table shows the movements in the year:

	31.12.2023	31.12.2022	CHANGES
Current derivative liabilities			
Derivatives to hedge exchange rate risk	7,539,606	13,835,791	(6,296,185)
Derivatives to hedge commodity risk	-	5,207,417	(5,207,417)
Non-current derivative liabilities			
Derivatives to hedge exchange rate risk	10,232	36,672	(26,440)
Total	**7,549,838**	**19,079,880**	**(11,530,042)**

EMPLOYEE TERMINATION INDEMNITIES

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

Balance at 31.12.2022 after deduction of advance tax payment Re. Law 662/96	**12,211,214**
Use of indemnities paid in the year	(593,685)
Advances	(31,953)
Revaluation of the year	191,775
Balance at 31.12.2023	**11,777,351**

Employee termination indemnities at 31 December 2023 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, €5,564,634 was allocated to the following entities for financing supplemental pension schemes:

DESCRIPTION	CURRENCY	AMOUNT
Alifond	EUR	2,069,401
Fon.te.	EUR	223,843
Previndai	EUR	2,801,779
Open-ended funds	EUR	469,611
Total	**EUR**	**5,564,634**

Liabilities

Liabilities amounted to €1,146,628,307 at 31 December 2023, broken down as follows:

	31.12.2023	31.12.2022	CHANGES
Payables to banks	702,735,364	456,180,496	246,554,868
Advance payments	1,578,123	1,603,390	(25,267)
Trade payables	147,540,043	333,610,860	(186,070,817)
Payables to subsidiaries	183,260,494	160,697,329	22,563,165
Payables to associates	70,056	-	70,056
Payables to related companies	4,396,744	4,261,178	135,566
Tax payables	4,291,389	3,779,673	511,716
Social security liabilities	7,306,853	5,002,269	2,304,584
Other liabilities	95,449,241	83,342,900	12,106,341
Total	**1,146,628,307**	**1,048,478,095**	**98,150,212**

Item "payables to banks" amounted to €702.7 million and referred:

- for €305 million to a corporate financing contract falling within the Sustainability-linked Loan category, entered into with a pool of four major banking institutions in July 2021 and for which the Company decided to adopt a strategy to hedge its foreign exchange rate fluctuations 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 linked to sustainability targets, which are monitored and measured annually and which allow for reductions in the interest rate pricing;

- for €351 million to a corporate financing contract falling within the sustainability-linked loan category, entered into with a pool of five major banking institutions in the year. The start of the capital repayment period has been set in 2026, while the loan is scheduled to expire in 2028. The financing operation has been linked to sustainability targets, which are monitored and measured annually and which allow for reductions in the interest rate pricing;

- for €46 million to the portion due in the year in connection with a revolving credit facility contract.

The €246,554,868 change for the year was mainly due to the aforementioned increases, net of the last instalment disbursed to repay the Corporate Loan contracted in 2018 and amounting to €155 million.

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

	31.12.2023	31.12.2022	CHANGES
Payables to banks			
- due within one year	114,172,079	156,787,739	(42,615,660)
- due after one year	588,563,285	299,392,757	289,170,528
Total	**702,735,364**	**456,180,496**	**246,554,868**

The following table provides the breakdown by geographic area:

	ITALY	EU COUNTRIES	OTHER EUROPEAN COUNTRIES	AMERICAS	AUSTRALIA	OTHER COUNTRIES	TOTAL
Payables to banks	702,735,364	-	-	-	-	-	702,735,364
Advance payments	17,136	121	906,829	-	-	654,037	1,578,123
Trade payables	130,640,041	5,724,441	4,254,510	1,810,345	34,412	5,076,294	147,540,043
Payables to subsidiaries	18,281,013	126,778,374	27,954,409	8,952,207	297,707	996,784	183,260,494
Payables to associates	-	-	-	-	-	70,056	70,056
Payables to the Parent Company	-	-	-	-	-	-	-
Payables to related companies	4,396,744	-	-	-	-	-	4,396,744
Tax payables	4,284,730	-	6,659	-	-	-	4,291,389
Social security liabilities	7,306,853	-	-	-	-	-	7,306,853
Other liabilities	52,457,366	34,845,857	2,619,938	840,715	-	4,685,365	95,449,241
Total	**920,119,247**	**167,348,793**	**35,742,345**	**11,603,267**	**332,119**	**11,482,536**	**1,146,628,307**

The following table provides the breakdown of payables to subsidiaries:

	31.12.2023	31.12.2022	CHANGES
Trade payables:			
Direct subsidiaries			
Lavazza Australia Pty Ltd	297,707	456,961	(159,254)
Lavazza Coffee (UK) Ltd	1,276,987	1,573,083	(296,096)
Lavazza Deutschland G.m.b.H.	122,849	-	122,849
Lavazza do Brasil Ltda	25,862	26,945	(1,083)
Lavazza France S.a.s.	7,880	21,477	(13,597)
Lavazza Maroc S.a.r.l.	89,527	123,694	(34,167)
Lavazza Netherlands B.V.	207,317	277,630	(70,313)
Lavazza North America Inc.	4,887,064	-	4,887,064
Lavazza Premium Coffees Co.	-	1,238,544	(1,238,544)
Lavazza Spain S.L.	679,344	726,911	(47,567)
Lavazza Trading (Shenzhen) Co.Ltd	907,257	746,197	161,060
Carte Noire S.a.s.	1,531,315	2,996,464	(1,465,149)
Cofincaf S.p.A.	10,015,257	7,851,652	2,163,605
E-Coffee Solutions S.r.l.	53,865	-	53,865
Lavazza Denmark ApS	714,022	448,722	265,300
Nims S.p.A.	70,320	92,587	(22,267)
Associates			
Fresh and Honest Café Limited	-	94,506	(94,506)
Yi Bai Coffee Co. Ltd	70,056	-	70,056
Controlled by the same parent company			
Lavazza Eventi S.r.l.	2,161,106	2,846,709	(685,603)
Chili S.p.A.	-	11,943	(11,943)
Lea S.r.l.	1,413,831	928,303	485,528
Indirect subsidiaries			
Lavazza Professional France S.a.s.	561,777	321,287	240,490
Lavazza Professional Germany G.m.b.H.	123,495	5,427,603	(5,304,108)
Lavazza Professional NA LLC	-	7,857,422	(7,857,422)
Lavazza Professional UK Ltd	21,870,393	21,150,824	719,569
Carte Noire Operations S.a.s.	4,302,115	4,310,280	(8,165)
Total trade payables	**51,389,346**	**59,529,744**	**(8,140,398)**
Financial payables:			
Direct subsidiaries			
Lavazza Coffee (UK) Ltd	3,379,072	4,360,406	(981,334)
Lavazza Deutschland G.m.b.H.	33,246,906	33,195,353	51,553
Lavazza France S.a.s.	11,109,568	20,057,701	(8,948,133)
Lavazza Kaffee G.m.b.H.	2,915,757	1,799,957	1,115,800
Lavazza North America Inc.	4,039,281	-	4,039,281
Lavazza Premium Coffees Co.	-	5,666,698	(5,666,698)
Lavazza Spain S.L.	214,159	138,066	76,093
Lavazza Sweden AB	3,236,546	-	3,236,546
Carte Noire S.a.s.	18,463,783	20,658,967	(2,195,184)
Cofincaf S.p.A.	173,807	334,211	(160,404)
E-Coffee Solutions S.r.l.	109,189	2,581,384	(2,472,195)
Nims S.p.A.	7,858,575	5,994,709	1,863,866
Lavazza Denmark ApS	19,746,264	-	19,746,264
Indirect subsidiaries			
Lavazza Professional Germany G.m.b.H.	23,798,910	7,461,316	16,337,594
Lavazza Professional UK Operating Services Ltd	1,427,957	1,811,412	(383,455)
Carte Noire Operations S.a.s.	2,101,985	894,360	1,207,625
Lavazza Baltics SIA	3,694,382	-	3,694,382
Controlled by the same parent company			
Lavazza Entertainment S.r.l.	484,776	474,223	10,553
Lavazza Eventi S.r.l.	337,031	-	337,031
Total financial payables	**136,337,948**	**105,428,763**	**30,909,185**
Total	**187,727,294**	**164,958,507**	**22,768,787**

At the beginning of the year, the US company Lavazza Premium Coffees Corp. merged into Lavazza Professional Holding NA Inc., and accordingly changed its name into Lavazza North America Inc.
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. In 2023, the Scandinavian companies Lavazza Sweden AB, Lavazza Denmark ApS and Lavazza Baltics SIA joined the centralised treasury system.

Tax payables consist of the following:

	31.12.2023	31.12.2022	CHANGES
Income tax to be paid as withholding agents	3,779,732	2,976,476	803,256
Other taxes	503,482	762,500	(259,018)
Foreign value-added tax	8,175	40,697	(32,522)
Total	**4,291,389**	**3,779,673**	**511,716**

Tax payables amounted to €3,779,673 million and were mainly attributable to the amounts withheld by the Company from employee remuneration.

The item "other liabilities" consists of the following:

	31.12.2023	31.12.2022	CHANGES
Trade discounts payable	80,578,668	66,616,601	13,962,067
Payables to personnel	14,699,265	15,931,199	(1,231,934)
Deposits received from third parties	42,196	634,499	(592,303)
Sundry trade payables	61,850	110,266	(48,416)
Financial debts	10,083	10,083	-
Other	57,179	40,252	16,927
Total	**95,449,241**	**83,342,900**	**12,106,341**

The item “trade discounts payable”, amounting to €80,578,668, chiefly 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 2023.
Payables to personnel, amounting to €14,699,265, relate to the balance of unused holiday and other leaves accrued during the year and production bonuses, partly included in the company welfare programme.

Accruals and deferred income

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

	31.12.2023	31.12.2022	CHANGES
Accruals:			
14th month salary	4,097,464	3,752,384	345,080
of interest	160,098	64,000	96,098
Total accruals	**4,257,562**	**3,816,384**	**441,178**
Deferred income:			
on tax relief for plant	8,594,078	5,938,839	2,655,239
on derivatives	17,062	-	17,062
on government grants	24,000	48,000	(24,000)
on franchising entry fees	2,467	2,467	-
Total deferred income	**8,637,607**	**5,989,306**	**2,648,301**
Total accruals and deferred income	**12,895,169**	**9,805,690**	**3,089,479**

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 2023.

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

	31.12.2023	31.12.2022	CHANGES
Time value of options on exchange rates	16,993	-	16,993
Forward points based on spot exchange rate	69	-	69
Total	**17,062**	**-**	**17,062**

STATEMENT OF PROFIT OR LOSS

VALUE OF PRODUCTION

NET REVENUES

Net revenues for the year were broken down as follows:

CATEGORIES OF ASSETS	YEAR 2023	YEAR 2022	CHANGES
Sales of coffee and food products	1,934,739,891	1,845,352,684	89,387,207
Sales of coffee machines and spare parts	78,472,548	68,535,803	9,936,745
Sales of raw materials and other ancillaries	11,433,694	13,885,735	(2,452,041)
Sales of advertising material	7,732,935	7,330,385	402,550
Sales of other products	3,997,739	4,007,355	(9,616)
Sales of packaging	407,114	111,323	295,791
Total	**2,036,783,921**	**1,939,223,285**	**97,560,636**

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	636,687,006	325,830,607	962,517,613
Other European countries	76,552,296	60,299,661	136,851,957
USA	70,051,172	7,712,707	77,763,879
Rest of the world	27,710,761	51,220,352	78,931,113
Total sales abroad	**811,001,235**	**445,063,328**	**1,256,064,563**
Total sales Italy	**40,565,047**	**740,154,311**	**780,719,358**
Total	**851,566,282**	**1,185,217,639**	**2,036,783,921**

OTHER INCOME AND REVENUES

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

	YEAR 2023	YEAR 2022	CHANGES
Charge-backs to Group companies	113,768,556	119,048,623	(5,280,067)
Contingent income	12,744,815	4,601,374	8,143,441
Grants	6,901,248	7,229,938	(328,690)
Rentals	1,604,916	1,784,460	(179,544)
Income from compensation for damages	1,377,690	1,234,964	142,726
Royalties for the use of our trademarks third parties	1,144,644	938,304	206,340
Ordinary capital gains	122,302	107,151	15,151
Other	1,695,114	9,767,356	(8,072,242)
Total	**139,359,285**	**144,712,170**	**(5,352,885)**

The item "charge-backs to Group companies" of €113,768,556 related to Luigi Lavazza S.p.A.'s charge-back to company functions centralised within the Parent Company, such as general management, administrative, IT, logistic and promotional costs.

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:

OPERATIONAL GRANTS

	AMOUNT RECEIVED
IT and IT GREEN 2022-2023 tax credit - Law 160/2019, as amended by Law 178/2020	518,533
Photovoltaic system incentives DM 19/02/07 New Energy Account - GSE	210,855
Utilites credit 2023	5,165,626
Training Plan - Fondimpresa	195,951
Total	**6,090,965**

CAPITAL GRANTS

	AMOUNT RECEIVED
Bonus for investments in new capital goods Ateco 28	36,567
Industry Contribution 4.0 -2023	166,396
R&D - IT - IT GREEN credit 2022-2023	265,822
Industry Contribution 4.0 -2020-2022	317,498
Credit for investment in ordinary property, plant and equipment 2020	24,000
Total	**810,283**

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" partly refers to the conversion into income of provisions recognised in previous years and determined to be in excess in 2023 (€4.1 million) and partly to prior years' revenues and lower unforeseen and unforeseeable costs recognized in the years (€8.6 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
Holding Company			
Finlav S.p.A.	-	25,000	25,000
Direct subsidiaries			
Lavazza Australia Pty Ltd	20,016,131	4,443,963	24,460,094
Lavazza Capital S.r.l.	-	140,000	140,000
Lavazza Coffee (UK) Ltd	74,042,420	9,884,540	83,926,960
Lavazza Deutschland G.m.b.H.	190,526,812	22,936,253	213,463,065
Lavazza France S.a.s.	53,096,195	2,266,421	55,362,616
Lavazza Kaffee G.m.b.H.	16,659,034	1,963,079	18,622,113
Lavazza Japan GK	678,464	160,453	838,917
Lavazza Maroc S.a.r.l.	-	14,745	14,745
Lavazza Netherlands B.V.	-	1,226,912	1,226,912
Lavazza North America Inc.	70,051,172	25,800,516	95,851,688
Lavazza Spain S.L.	-	51,992	51,992
Lavazza Sweden AB	8,707,679	1,387,650	10,095,329
Carte Noire S.a.s.	275,564,854	26,215,737	301,780,591
Cofincaf S.p.A.	-	100,221	100,221
E-Coffee Solutions S.r.l.	-	12,233,984	12,233,984
Kicking Horse Coffee Co. Ltd	-	496,662	496,662
Lavazza Denmark ApS	89,712,273	4,818,563	94,530,836
Nims S.p.A.	40,347,329	1,548,176	41,895,505
Associates			
Fresh and Honest Café Limited	516,080	196,249	712,329
Yi Bai Coffee Co. Ltd	6,155,761	-	6,155,761
Controlled by the same parent company			
Lavazza Eventi S.r.l.	199,685	366,053	565,738
Lea S.r.l.	18,033	378,578	396,611
Indirect subsidiaries			
Lavazza Australia OCS Pty Ltd	344,325	210,976	555,301
Lavazza Professional France S.a.s.	64,021	477,029	541,050
Lavazza Professional Germany G.m.b.H.	2,356,138	2,571,806	4,927,944
Lavazza Professional UK Ltd	2,509,876	2,269,584	4,779,460
Lavazza Professional UK Operating Services Ltd	-	114,103	114,103
Carte Noire Operations S.a.s.	-	348,827	348,827
Lavazza Baltics SIA	-	806	806
Total	**851,566,282**	**122,648,878**	**974,215,160**

COSTS OF PRODUCTION

RAW MATERIALS, ANCILLARIES, CONSUMABLES AND GOODS

Purchases for the year were broken down as follows:

	YEAR 2023	YEAR 2022	CHANGES
Raw materials	1,005,974,153	1,053,681,438	(47,707,285)
Goods	102,403,490	122,187,917	(19,784,427)
Miscellaneous ancillary material	8,907,309	8,983,453	(76,144)
Total	**1,117,284,952**	**1,184,852,808**	**(67,567,856)**

The decrease in the cost of raw materials was chiefly attributable to the green coffee component, impacted both by lower volumes purchased, for approximately €41 million, and by reduced procurement costs, particularly for Arabica coffee, for about €6.7 million.

In line with the previous year, the cost of raw materials remained high throughout the year, as did the costs of energy sources used in production and logistics and distribution costs. Despite the increase in sales reported in the year, the ratio of cost of sales to turnover rose from 66% to 71%. The Group made a strategic choice and did not reflect all of the cost increases in sale prices with the aim of maintaining its competitiveness and increasing its market share.
In addition, in contrast to 2022, when the cost of sales had benefited from the prior year's consumption at prices below the then current levels, the high market price of raw materials recorded in 2023 did not result in this increase being fully reflected in the operating performance for the year.
The commodities sector declined in 2023, whereas green coffee performed counter to the trend: after beginning the year at historically high levels, it however further grew for both Arabica (+13%) and Robusta (+58%).
In the first half of the year, Arabica was impacted by the previous weak harvest both in Brazil and Colombia, with values first approaching and then exceeding 200 $cts/lb (205 $cts/lb on 18 April 2023). The successful Brazilian harvest drove the price to a low for the year of 146 $cts/lb, but did not break through this level. In the autumn, persistent volumes of certified stocks at all-time lows (224,000 bags in November), along with new regulations that prevent recertification of old lots, triggered a new uptrend, driven by the positions of speculative funds offering massive buying opportunities, resulting in the high for the year of 209 $cts/lb on 18 December. The partial retracement in the final days of the year brought Arabica back to 188 $cts/lb.
For Robusta, 2023 was a record year in terms of price increases: from 1,926 $/tonne for the first exchange position at the beginning of the year, the price reached 3,046 $/tonne on the last day of December, with a high of 3,179 $/tonne reached on 21 December.

COSTS FOR SERVICES

The main costs for services were as follows:

	YEAR 2023	YEAR 2022	CHANGES
Commercial and sales costs	346,003,380	369,552,022	(23,548,642)
Ancillary purchasing and production costs	191,730,413	226,401,521	(34,671,108)
Other	75,424,799	66,572,601	8,852,198
Total	**613,158,592**	**662,526,144**	**(49,367,552)**

Commercial and sales costs decreased compared to the previous year and referred primarily to costs relating to advertising and promotional services, costs for trade fairs and events, as well as costs for machinery maintenance, commissions, advisory and market research, entertainment and hospitality and finished product transport costs.
Ancillary purchasing and production costs reported a significant net decline of €34.7 million compared to the previous year, mainly due to:

- an increase in the costs of industrial utilities, in particular energy and gas, for €9.2 million;
- a reduction in the costs for logistic services, shipping, rents and insurance contracts for €41 million;
- a decrease in the costs of outsourcing and technical consultancy and in ancillary costs of €2.9 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 is indicated hereunder:

	TOTAL REMUNERATION PAID
Directors' fixed remuneration	2,001,355
Statutory Auditors' fixed remuneration	167,440
Total	**2,168,795**

USE OF THIRD-PARTY ASSETS

The following table provides a detailed description:

	YEAR 2023	YEAR 2022	CHANGES
Lease of software and electronic equipment	12,810,245	10,501,905	2,308,340
Property leases	9,279,369	9,358,813	(79,444)
Vehicle leases	4,407,282	4,379,116	28,166
Other leases	1,803,850	1,565,809	238,041
Royalties for use of trademarks and patents	99,449	166,691	(67,242)
Total	**28,400,195**	**25,972,334**	**2,427,861**

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

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 2023	HEADCOUNT AT 31.12.2023	AVERAGE 2022	HEADCOUNT AT 31.12.2022
Executives	107	107	101	101
Managers	139	142	128	131
Middle Managers	210	212	202	200
White Collar	779	790	736	747
Travelling personnel	149	152	153	154
Blue Collars	453	451	462	457
Total	**1,837**	**1,854**	**1,782**	**1,790**

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 2023	YEAR 2022	CHANGES
Provisions for risks:			
for legal charges and litigations	1,257,832	2,656,972	(1,399,140)
for future risks and charges	2,215,831	4,520,005	(2,304,174)
for HR litigation	-	500,000	(500,000)
for restructuring and reorganisation	-	300,000	(300,000)
Total provisions for risks	**3,473,663**	**7,976,977**	**(4,503,314)**
Other provisions:			
for guarantees and endorsements	26,865	-	26,865
for prize competition charges	100,000	50,000	50,000
Total other provisions	**126,865**	**50,000**	**76,865**

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

OTHER OPERATING CHARGES

The following table shows the main components:

	YEAR 2023	YEAR 2022	CHANGES
Other gifts and advertising material	2,986,981	3,258,209	(271,228)
Miscellaneous taxes and duties	2,309,720	2,307,525	2,195
Social charges	1,543,396	4,256,878	(2,713,482)
Association duties	1,042,700	949,625	93,075
Capital losses	100,325	116,770	(16,445)
Other	3,466,568	3,351,839	114,729
Total	**11,449,690**	**14,240,846**	**(2,791,156)**

Donations were made to recognised non-profit organisations and entities in support of social, health and cultural projects.
The reported capital losses were of a non-financial nature and arose from the sale of fixed assets.

Production costs pertaining to subsidiaries were as follows:

	COSTS FOR PURCHASES	COSTS FOR SERVICES	COSTS FOR OTHER OPERATING EXPENSES	COSTS FOR FINANCIAL EXPENSE	TOTAL
Holding Company					
Finlav S.p.A.	-	358,535	-	-	358,535
Direct subsidiaries					
Lavazza Australia Pty Ltd	-	297,707	-	-	297,707
Lavazza Coffee (UK) Ltd	-	1,339,017	-	76,603	1,415,620
Lavazza Deutschland G.m.b.H.	97,554	191,977	-	187,921	477,453
Lavazza do Brasil Ltda	-	53,863	-	-	53,863
Lavazza France S.a.s.	38,566	7,490	-	64,819	110,876
Lavazza Kaffee G.m.b.H.	-	-	-	15,802	15,802
Lavazza Maroc S.a.r.l.	-	216,453	-	-	216,453
Lavazza Netherlands B.V.	-	406,029	-	-	406,029
Lavazza North America Inc.	-	4,910,617	-	-	4,910,617
Lavazza Spain S.L.	-	679,344	-	1,814	681,158
Lavazza Sweden AB	-	-	-	7,981	7,981
Lavazza Trading (Shenzhen) Co.Ltd	-	1,481,087	-	-	1,481,087
Carte Noire S.a.s.	174,158	1,681,663	-	-	1,855,821
Cofincaf S.p.A.	-	934,664	-	525,433	1,460,097
E-Coffee Solutions S.r.l.	-	53,865	-	109,189	163,054
Kicking Horse Coffee Co. Ltd	48,122	2,278	-	-	50,399
Lavazza Denmark ApS	-	714,566	-	37,257	751,824
Nims S.p.A.	656	14,566	88,126	454,939	558,287
Associates					
Fresh and Honest Café Limited	51,271	-	-	-	51,271
Yi Bai Coffee Co. Ltd	-	70,056	581	-	70,637
Controlled by the same parent company					
Lavazza Entertainment S.r.l.	-	-	-	18,340	18,340
Lavazza Eventi S.r.l.	-	2,582,593	143,362	41,533	2,767,488
Chili S.p.A.	-	231,200	-	-	231,200
Lea S.r.l.	-	2,841,090	-	-	2,841,090
Indirect subsidiaries					
Lavazza Professional Germany G.m.b.H.	13,513	109,982	-	114,885	238,380
Lavazza Professional France S.a.s.	-	561,778	36,828	-	598,606
Lavazza Professional UK Ltd	37,399	21,883,698	-	-	21,921,097
Lavazza Professional UK Operating Services Ltd	-	-	-	27,164	27,164
Carte Noire Operations S.a.s.	-	27,628,560	-	-	27,628,560
Lavazza Baltics SIA	-	141	-	9,024	9,165
Total	**461,239**	**69,252,817**	**268,897**	**1,692,705**	**71,675,657**

FINANCIAL INCOME AND EXPENSE

FINANCIAL INCOME

The following table shows the main components:

	YEAR 2023	YEAR 2022	CHANGES
Income from investments			
Dividends from subsidiaries	45,192,926	31,848,655	13,344,271
Dividends from other companies	-	504,209	(504,209)
Total	**45,192,926**	**32,352,864**	**12,840,062**

Dividends from subsidiaries consisted of:

COMPANY	AMOUNT
Lavazza Deutschland G.m.b.H.	10,000,000
Lavazza France S.a.s.	2,000,000
Lavazza Kaffee G.m.b.H.	1,000,000
Lavazza North America Inc.	1,840,604
Carte Noire S.a.s.	12,000,000
Lavazza Denmark ApS	2,685,536
Nims S.p.A.	15,666,786
Totale	**45,192,926**

Other financial income was broken down as follows:

	YEAR 2023	YEAR 2022	CHANGES
Interest income			
on non-current receivables	7,742,822	2,245,345	5,497,477
on bank current accounts	2,515,069	301,873	2,213,196
from subsidiaries and associates	786,778	278,575	508,203
from companies controlled by the Parent Company	86,270	4,270	82,000
Total interest income	**11,130,939**	**2,830,063**	**8,300,876**

The item "interest income on non-current receivables" mainly referred to the interest accrued at year-end on the loan granted in 2023 to the company E-Coffee Solutions S.r.l. and on the residual loans granted to the subsidiaries Lavazza Australia Pty Ltd, Lavazza Australia OCS Pty Ltd and Lavazza Japan GK.

Other interest income from subsidiaries and associates, and from companies controlled by the same 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 2023	YEAR 2022	CHANGES
Interest expense			
to credit institutions	22,056,185	5,062,330	16,993,855
to subsidiaries and associates	1,107,399	147,451	959,948
to companies controlled by the Parent Company	59,873	3,641	56,232
Total interest expense	**23,223,457**	**5,213,422**	**18,010,035**
Expenses and commissions			
to subsidiaries and associates	525,433	383,124	142,309
Total expenses and commissions	**525,433**	**383,124**	**142,309**
Total interest and financial expense	**23,748,890**	**5,596,546**	**18,152,344**

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 on the sustainability-linked loans and the revolving credit facility entered into in previous years and in the reporting year, described in detail in the Balance Sheet - Equity and Liabilities section of these Notes.

EXCHANGE GAINS AND LOSSES

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

	YEAR 2023	YEAR 2022	CHANGES
Unrealised exchange gains	3,974,766	3,481,444	493,322
Realised exchange gains	9,728,996	17,156,656	(7,427,660)
Total exchange gains	**13,703,762**	**20,638,100**	**(6,934,338)**
Unrealised exchange losses	6,054,393	7,261,002	(1,206,609)
Realised exchange losses	11,309,450	22,102,621	(10,793,171)
Total exchange losses	**17,363,843**	**29,363,623**	**(11,999,780)**
Net exchange gains (losses)	**(3,660,081)**	**(8,725,523)**	**5,065,442**

Value adjustments to financial assets

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 €4,460,148 was recognised in the year due to the ineffective component of the derivatives contracted to hedge against foreign exchange and interest rate 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.

Income taxes for the year

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

CURRENT TAXES FOR THE YEAR	
IRES (corporate income tax)	(2,953,878)
IRAP (regional production tax)	295,424
Other current taxes	-
Prior years' taxes	**(5,793,070)**
Allocation to provision for future taxes	**-**
Deferred taxes for the year	
Provision for deferred tax assets	(24,698,945)
Reversals of deferred tax assets	18,004,178
Provision for deferred tax liabilities	1,008,459
Reversals of deferred tax liabilities	(67,847)
Total taxes	**(14,205,679)**

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 2022			YEAR 2023							
	BALANCE AT YEAR-START			INFLOWS			PROVISIONS			BALANCE AT YEAR-END	
	TAXABLE AMOUNT	%	TAX CHARGE	TAXABLE AMOUNT	%	TAX CHARGE	TAXABLE AMOUNT	%	TAX CHARGE	TAXABLE AMOUNT	TAX CHARGE
DEFERRED IRES TAXES											
Tax losses for contribution for economic growth (ACE) carried forward	-		-	-		-	71,560,281	24.0%	17,174,467	71,560,281	17,174,465
Allocations to deferred deductibility provisions	165,887,155	24.0%	39,812,916	(74,828,616)	24.0%	(17,958,868)	30,976,098	24.0%	7,434,263	122,034,637	29,288,311
Unrealised exchange losses	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-
Statutory / tax differences from asset revaluation	5,185,815	24.0%	1,244,596	-	24.0%	-	-	24.0%	-	5,185,815	1,244,596
Statutory / tax differences depreciations	1,603,103	24.0%	384,745	(162,401)	24.0%	(38,976)	323,347	24.0%	77,603	1,764,049	423,372
Cash deductible costs	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-
PREPAID IRAP TAXES											
Allocations to non-deductible/ non-material provisions	-	3.9%	-	-	3.9%	-	-	3.9%	-	-	-
Statutory / tax differences from asset revaluation	5,185,815	3.9%	202,246	-	3.9%	-	-	3.9%	-	5,185,815	202,246
Statutory / tax differences depreciations	1,603,103	3.9%	62,522	(162,401)	3.9%	(6,334)	323,347	3.9%	12,610	1,764,049	68,798
Cash deductible costs	-	3.9%	-	-	3.9%	-	-	3.9%	-	-	-
Hedge reserve for expected cash flows	-		7,673,904	-		-	-		-	-	1,473,720
TOTAL DEFERRED TAX ASSETS			**49,380,928**			**(18,004,178)**			**24,698,943**		**49,875,508**
DEFERRED IRES TAX LIABILITIES											
Allocations to deferred deductibility provisions	-	24.0%	-	-		-	-	24.0%	-	-	-
Unrealised exchange gains	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	-
Statutory / tax differences from M&As	5,470,313	24.0%	1,312,876	(243,181)	24.0%	(58,363)	4,201,913	24.0%	1,008,459	9,429,045	2,262,971
DEFERRED IRAP TAXES											
Statutory / tax differences from M&As	3,164,564	3.9%	123,418	(243,181)	3.9%	(9,484)	-	3.9%	-	2,921,383	113,934
Hedge reserve for expected cash flows	-		6,892,930	-		-	-		-	-	3,568,177
TOTAL DEFERRED TAXES			**8,329,224**			**(67,847)**			**1,008,459**		**5,945,082**

The reversal of temporary differences in future years was assessed on the basis of the best available estimates and according to the prudence principle. In particular, deferred tax assets were only recognised when it was reasonably certain to recover them based on an expected taxable income that would permit the deferred tax assets to be reabsorbed upon reversal of the differences. The recoverability of deferred tax assets took account of the Company's expected financial performance and cash flows.

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

IRES (CORPORATE INCOME TAX)	TAXABLE AMOUNT	THEORETICAL TAX RATE	TAX CHARGE	EFFECTIVE TAX RATE
Gross profit	**25,378,137**	**24.00%**	**6,090,753**	**24.00%**
Higher tax charge	**9,447,500**		**2,267,400**	**8.93%**
of which for:				
Non-deductible taxes	889,389		213,453	0.84%
Non-deductible write-downs	-		-	0.00%
Non-deductible depreciation and amortisation	1,136,826		272,838	1.08%
Non-deductible provisions	-		-	0.00%
Other non-deductible costs	7,421,285		1,781,108	7.02%
Lower tax charge	**(119,151,796)**		**(28,596,431)**	**-112.68%**
of which for:				
Costs undeducted in previous years	-		-	0.00%
Dividends	(43,433,280)		(10,423,987)	-41.07%
Other deductible costs	(15,739,227)		(3,777,414)	-14.88%
Patent Box incentive	-		-	0.00%
Use of provisions	(44,745,306)		(10,738,873)	-42.32%
Contribution for economic growth (ACE)	(15,233,983)		(3,656,156)	-14.41%
Actual IRES charge	**(84,326,159)**	**24.00%**	**(20,238,278)**	**-79.75%**

IRAP (REGIONAL PRODUCTION TAX)	TAXABLE AMOUNT	THEORETICAL TAX RATE	TAX CHARGE	EFFECTIVE TAX RATE
Value of production (A-B)	**188,766,494**	**3.93%**	**7,424,007**	**3.93%**
Higher tax charge	**12,996,474**		**511,140**	**0.27%**
of which for:				
Costs for outsourced personnel	2,079,373		81,780	0.04%
Non-deductible depreciation and amortisation	648,847		25,519	0.01%
Other non-deductible costs	10,268,254		403,841	0.21%
Lower tax charge	**(194,251,368)**		**(7,639,722)**	**-4.05%**
of which for:				
Costs undeducted in previous years	(162,312)		(6,384)	0.00%
Use of deductible provisions	(12,960,635)		(509,729)	-0.27%
Deductible contributions and costs for personnel	(181,128,421)		(7,123,609)	-3.77%
Patent Box incentive	-		-	0.00%
Actual IRAP charge	**7,511,600**	**3.93%**	**295,424**	**0.16%**

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

THIRD-PARTY GUARANTEES IN OUR FAVOUR €8,688,087

They consist of guarantees given in our favour by banks: €1,523,981 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; €34,985 for a loan connected with scholarships of Parma University; €16,702 to Consorzio Nucleo Sviluppo Industriale Isernia for drinking water supply; €463,458 to Customs; and €741,567 for property leases.

GUARANTEES IN FAVOUR OF SUBSIDIARIES €20,495,605

The account consists of €8,577,669 in guarantees in favour of Cofincaf S.p.A. to finance contracts with HoReCa customers, €11,429,637 for financing customers' purchases of vending machines for beverages, and €488,299 for loans to employees.

SUBSIDIARY FOR COLLECTION OF CREDITS €25,219,136

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

LEASING COMPANY FOR UPCOMING LEASE PAYMENTS €62,496,759

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 2023 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 transactions with Group companies as part of its ordinary business and 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.

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, as at the reporting date, the global political situation is characterised by illiberal regimes of various ideologies, theocracies and oligarchies that currently govern most of the world, generating instability that has produced a series of regional wars, some of which are of global significance, such as the Russian invasion of Ukraine, which began in February 2022, and the recent war between Israel and Hamas.
In the economic and financial arena, 2024 began with a series of ups and downs.
Italian inflation rose slightly in January (+0.8% on an annual basis, from +0.6%) due to an adverse "base effect" on energy prices, whereas the Eurozone average declined very slightly to +2.8% from +2.9% in December. The wide Italy-Eurozone gap was primarily attributable to energy prices, which fell more in Italy (-21.2%), where they had previously risen more.
Markets continue to expect interest rate cuts, while indicating that the slow price deceleration could result in delays: futures had envisioned stable Federal Reserve and ECB rates in January (5.50% and 4.50%), but now the first cuts are expected for May, and no longer for March-April.
Consumption fell in December (-0.5%, but +0.1% over three months), but in January household and commercial business confidence recovered, although it is still considered a bad time to buy durable goods due to high interest rates.
The economic impact of this scenario is currently difficult to assess, but we are implementing all solutions to cope with an unprecedented negative scenario in our sector, considering effective solutions at the level of profitability and focusing on our international growth strategy to fully exploit the future opportunities offered by the market.

VOLUNTARY TOTALITARIAN TENDER OFFER AIMED AT DELISTING IVS GROUP S.A.

On 22 April 2024, E-Coffee Solutions S.r.l. ("ECS"), a company controlled by the Company, Torino 1895 Investimenti S.p.A. (a subsidiary of Finlav S.p.A.) and IVS Partecipazioni S.p.A. ("IVSP"), the majority shareholder of IVS Group S.A. ("IVSG"), a Luxembourg-based company at the head of the IVS Group — the market leader in Italy and second player in the European Union in the vending market, whose shares are listed in Italy on Euronext Milan, STAR segment ("EXM"), a regulated market organised and managed by Borsa Italiana S.p.A — have announced the signing of binding agreements aimed at carrying out a transaction (the "Transaction"), which contemplates, inter alia, the launch of a voluntary totalitarian tender offer on IVSG shares by Grey S.à.r.l. ("Grey"), a newly incorporated Luxembourg vehicle wholly owned, as of the date of announcement of the Transaction, by ECS (the "Offer" or the "Tender Offer").

The consideration for the Offer, equal to €7.15 per share tendered to the Offer (the "Consideration"), incorporates:

(i) a premium equal to 11% with respect to the closing price of IVSG shares on 22 April 2024 (i.e., date of the announcement of the Transaction) (8.1% with respect to the official price);

(ii) a premium equal to 6.9% with respect to the official price of IVSG shares on 19 April 2024 (the last trading day prior to the date of the announcement of the Transaction) (the "Reference Date");

(iii) a premium equal to 18.9% with respect to the weighted arithmetic average of the official prices of IVSG shares in the last 6 months before the Reference Date (included).

It should be noted that, in the event of full acceptance of the Offer by all the holders of the shares subject to the Offer, the maximum total countervalue of the Offer, calculated on the basis of the Consideration equal to €7.15 per share and the maximum total number of shares subject to the Offer, will be equal to €184,770,471.60.

The Offer is aimed at obtaining the delisting of IVSG shares from EXM, which may also be achieved through a merger subject to the satisfaction of the relevant conditions (the "Delisting").

In the context of the overall Transaction, call and put options exercisable from 2027 have been agreed as a result of which, subject to obtaining the necessary regulatory approvals, the Lavazza Group would acquire control over IVSG.

In particular, the following binding agreements relating to the Transaction were entered into on 22 April 2024:

a) an investment agreement (the "Investment Agreement") between ECS, Torino 1895 Investimenti S.p.A. ("Torino1895"), a company controlled by Finlav S.p.A. (which, in turn, controls the Company) IVSP and Grey, aimed at regulating, ***inter alia***:

   (i) the promotion by Grey of the Offer aimed at acquiring, for a cash consideration equal to €7.15 per share, a maximum of No. 25,842,024 IVSG shares, representing 28.36% of the share capital of IVSG (including No. 10,702,112 IVSG shares, equal to 11.74% of IVSG's share capital, which IVSP undertook to tender to the Offer);

   (ii) ECS's commitments aimed at providing Grey with the resources necessary for the payment of the consideration of the Offer;

   (iii) the commitment of IVSP to tender to the Offer, a total of No. 10,702,112 IVSG shares, representing approximately 11.74% of the share capital of IVSG;

   (iv) subject to the positive completion of the Offer:

      a. the commitment of IVSP to contribute to Grey the overall remaining 46,243,640 IVSG shares, equal to 50.75% of the share capital of IVSG (as of the date of the announcement of the Transaction), as well as

      b. the commitment of Torino1895 to transfer to ECS the 18,588,139 IVSG shares owned by Torino1895, equal to 20.4% of the share capital of IVSG (as of the date of the announcement of the Transaction), together with the commitment of ECS to contribute such shares to Grey, all at a value per share equal to the consideration of the Offer.

   Therefore, in case of a positive outcome of the Offer and taking into account the foregoing commitments, depending on the acceptance of the Offer:

   (i) IVSP would hold a stake of at least 51% of the share capital of Grey and, indirectly, of IVSG;

   (ii) ECS would hold a stake of between 39% and 49% of the share capital of Grey and, indirectly, of IVSG;

   (iii) Torino1895 would no longer hold any direct or indirect stake in IVSG.

b) a shareholders' agreement (the "Shareholders' Agreement") between ECS and IVSP, with the participation also of Grey, aimed at defining the rules of governance and the transfer of the shares in Grey and IVSG, subject to the positive completion of the Offer. In particular, with reference to the governance rights pertaining to ECS, the Shareholders' Agreement provides that, for as long as IVSP will exercise legal control over Grey and, indirectly, over IVSG, ECS will be the holder of certain governance rights for the mere protection of its indirect investment in the Issuer, including, inter alia, a representation on the board of directors of IVSG;
c) a reciprocal option agreement (the "Option Agreement") between ECS and IVSP, subject to the positive completion of the Offer, providing for options to purchase (call options) of ECS and options to sell (put options) of IVSP on the shares held by IVSP, following completion of the Offer, in Grey (or in the company resulting from the possible merger of IVSG and Grey or vice versa, which may be implemented after the Offer). In any case, the call and put options will be exercisable after the approval of IVSG's consolidated financial statements as at 31 December 2026 (and, therefore, starting from 2027 until 2034).

Grey, by means of a communication disseminated on 22 April 2024 pursuant to Article 102, paragraph 1, of Legislative Decree No. 58 of 24 February 1998 and Article 37 of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended, announced that it has taken the decision to launch the Offer, together with the description of the legal assumptions, terms, conditions and essential elements of the Offer (the "Communication").
The Offer will be promoted exclusively in Italy and its completion is subject to the obtainment of the regulatory authorisations (that is, the authorisation from the Bank of Italy for the acquisition, by Grey, of a qualifying indirect controlling shareholding in Moneynet S.p.A, a payment institution belonging to the IVS Group, and the authorisation by the UK Secretary of State pursuant to the National Security and Investment Act 2021 consequent to the exceeding of a participation threshold, although indirect, by ECS and Grey in N-And Group Ltd. – a company of the IVS Group incorporated pursuant to English law, active in the sector of design and implementation of IT platforms and applications), as well as upon the occurrence of the conditions for the effectiveness of the Offer.
Moreover, this phase of the Transaction would be concluded with the Delisting of the IVSG shares, which could take place following the possible sell-out and/or squeeze-out procedures pursuant to applicable laws (or, if the conditions to proceed with the Delisting following the completion of the Offer are not met, following the possible merger by incorporation of IVSG into Grey, in line with the reasons and objectives of the Offer).

Subsequently, in case of exercise of the call and/or put options pursuant to the Option Agreement, ECS may acquire – starting from 2027 and possibly in several tranches – the entire shareholding owned by IVSP. As a result, ECS would therefore acquire the control over Grey and indirectly the control over IVSG.

Company preparing the Consolidated Financial Statements

(pursuant to Article 2427, paragraph 1, No. 22-quinquies/sexies, of the Italian Civil Code)

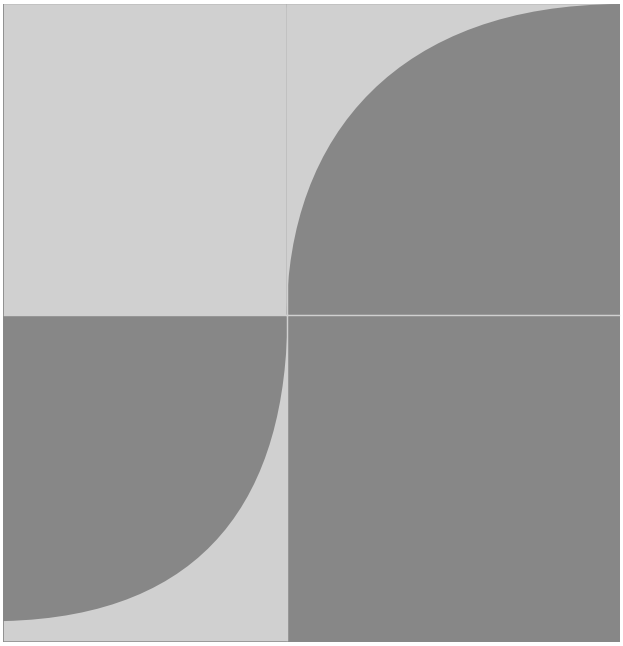
FINLAV S.P.A.
Registered Offices: Via Bologna 32 - 10152 TURIN, Italy
Fully paid-up share capital: €167,500,000
Tax code and Turin Company Register No. 03028560153
Turin Economic and Administrative Index (REA): 910824

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 €39,583,815.85, be allocated to a dividend of €1.20 per share to the 22,590,002 outstanding shares, for a total payout of €27,108,002.40, with the remaining €12,475,813.45 as profit carried forward.

Turin, 23 April 2024



STATUTORY AUDITORS' REPORT

JOINT STOCK COMPANY LUIGI LAVAZZA S.p.A.
Registered Offices: Turin - via Bologna 32
Fully paid up share capital €25,090,000.=
Tax code and Turin Company Register No. 00470550013

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Shareholders,

We examined the draft Financial Statements of Luigi Lavazza S.p.A. (hereinafter also "LAVAZZA" or the "Company") for the year ended 31 December 2023, prepared by the Board of Directors and submitted to us within the terms established by law, together with the accounting statements and the related annexes.

It should be noted that this Report has been approved collegially.

On 26 March 2024, the Administrative Body has provided access to the following documents, approved on that same date and concerning the year ended 31 December 2023:

- the draft Financial Statements 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 adjusted to incorporate the amendments, integrations and developments introduced as of 1 January 2016 by Italian Legislative Decree No. 139/2015 and, in the absence of the former, and where no conflict exists, by the standards issued by the International Accounting Standards Board (IASB), and comprising the Balance Sheet, the Statement of Profit or Loss, the Statement of Cash Flows and the Notes;
- the Report on Operations.

With regard to the activity referred to in Legislative Decree No. 39/2010, you have entrusted the auditing firm EY S.p.A. with statutory auditing for the 2022-2023-2024 three-year period, until the approval of the Financial Statements for the year ended 31 December 2024.

The activities we carried out are described herein.

Moreover, this Report is inspired to the law and by Standard No. 7.1, "*Standards of Conduct for Boards of Statutory Auditors — Principles of Conduct of Boards of Statutory Auditors of Unlisted Companies*", issued by Italy's National Council of Chartered Accountants and Accounting Experts.

Supervisory activity pursuant to Article 2403 *et seqq.* of the Italian Civil Code

This Report summarises the activities falling within the scope of the disclosure as per Article 2429, paragraph 2, of the Italian Civil Code, and referring in particular to:

- the activity performed in fulfilment of statutory duties;
- the results for the year;

- remarks and proposals concerning the Financial Statements, with particular regard to any case in which the Administrative Body avails itself of derogations pursuant to Article 2423, paragraph 5 (formerly 4), of the Italian Civil Code;
- any complaints received from shareholders pursuant to Article 2408 of the Italian Civil Code.

As part of our activities, we requested and obtained from the Company's Directors and managers information about the business, the general operating performance and the business outlook, as well as about the most significant economic, financial and capital transactions undertaken by LAVAZZA and its subsidiaries/associates.

We evaluated and verified the adequacy of the organisational structure and of the administrative and accounting system with reference to their actual functioning, as well as their reliability in reporting on operations by obtaining information from the heads of the relevant functions and by examining the Company's documents.

In addition:

- we monitored compliance with the law and the Articles of Association, and respect for principles of sound management;
- we participated in Shareholders' Meetings and in meetings of the Board of Directors, verifying that the resolutions passed and implemented complied with the law and the Articles of Association, and ensuring that they were neither imprudent nor gave rise to conflicts of interest or to situations able to jeopardise the integrity of the Company's assets;
- we acquired information from the Manager in charge of the internal control system and no significant data and information emerged that would require mention in this report;
- we obtained information by the Supervisory Body and no critical issues emerged with respect to proper implementation of the organisational model that would require mention in this report;
- we obtained information from the auditing firm EY S.p.A. regarding the outcome of the periodic checks performed by the latter during its term of office, as well information on the regular and proper keeping of the accounts and on the Financial Statements' compliance with the relevant regulations and their correspondence with the accounting records;

- no complaints were filed pursuant to Article 2409, paragraph 7, of the Italian Civil Code;
- no complaints were received pursuant to Article 2408 of the Italian Civil Code;
- during the year, the Board of Statutory Auditors issued the opinions provided for by the law;
- in carrying out the aforementioned supervisory activity and based on the information obtained, we found no omissions, censurable matters, irregularities or any significant circumstances that would require a complaint to be filed or merely a mention in this Report;
- 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 in the year.

With reference to the Corporate Crisis and Insolvency Code, we found that the Company has an organisational, administrative and accounting structure adequate to its nature and size and suitable to promptly identify any corporate crisis, as well as to allow the Administrative Body to take the necessary and appropriate measures to ensure business continuity.

Remarks concerning the Financial Statements

The draft Financial Statements for the year ended 31 December 2023, approved by the Administrative Body, comprise the Balance Sheet, the Statement of Profit or Loss, the Statement of Cash Flows and the Notes. The Report on Operations pursuant to Article 2428 of the Italian Civil Code was also prepared. We received all the said documents within the terms established by Article 2429 of the Italian Civil Code. We thus examined the draft Financial Statements, in regard to which the following additional information is provided:

- since we are not responsible for the statutory auditing of the Financial Statements, we assessed their overall layout — including that of the Report on Operations — and their overall compliance with the law in terms of preparation and structure, all this through direct checks and the exchange of information with the auditing firm EY S.p.A., pursuant to Article 2409-*septies* of the Italian Civil Code; in this regard, we did not receive any observations nor have any observations that would require mention in this Report;

- the auditing firm EY S.p.A. has drawn up its report, which does not contain any remarks, adverse opinions, disclaimers of opinion or requests for additional information, and the opinion issued is therefore fully positive;
- when preparing the Financial Statements, the Administrative Body did not avail itself of the derogation pursuant to Article 2423, paragraph 5 (formerly paragraph 4), of the Italian Civil Code;
- we verified that the Financial Statements were consistent with company facts and information of which we became aware in discharging our specific duties and we do not have any further remarks on this subject;
- we verified the evaluation criteria set forth in Article 2426 of the Italian Civil Code, carrying out our supervisory activity with a view to safeguarding the integrity of the Company's assets;
- it bears noting that the Company prepares its Consolidated Financial Statements and, in this regard, the auditing firm EY S.p.A. reported to you on the proper preparation of the same, as well as on consistency of the Report on Operations with that document and its compliance with the law, thus issuing a clean opinion.

Remarks and proposals concerning the approval of the Financial Statements

Shareholders,

in light of the foregoing and also considering the positive outcome of the activity performed by the independent auditors, with regard to the areas within our remit, we do not find any impediments to the approval of the Financial Statements for the year ended 31 December 2023, as per the draft Financial Statements prepared and approved by the Board of Directors in its meeting held on 26 March 2024. Accordingly, we invite you to approve the Financial Statements for the year ended 31 December 2023, as prepared by Directors, as well as the allocation of net profit for the year amounting to €39,583,816.

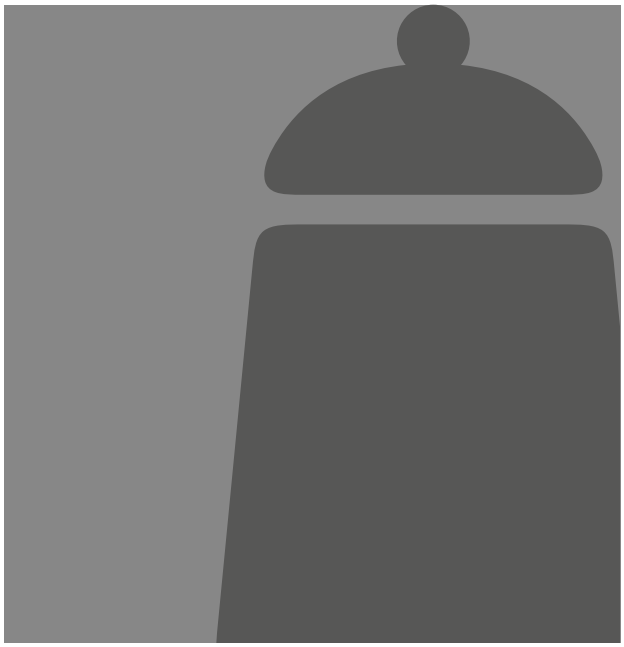
Turin, 23 April 2024

THE BOARD OF STATUTORY AUDITORS

(Gianluca FERRERO)

(Angelo GILARDI)

(Alessandro FORTE)



INDEPENDENT AUDITORS' REPORT

Luigi Lavazza S.p.A.

Financial Statements as at 31 December 2023

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

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Luigi Lavazza S.p.A. (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and statement of cash flows for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

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

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

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

The Directors of Luigi Lavazza S.p.A. are responsible for the preparation of the Report on Operations of Luigi Lavazza S.p.A. as at 31 December 2023, 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 at 31 December 2023 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 at 31 December 2023 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, 23 April 2024

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

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

Registered and administrative offices:
Via Bologna 32 – 10152 Turin – Italy
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PREPARED BY
Financial Reporting & Accounting

EDITORIAL SUPPORT
Corporate Communication

GRAPHIC CONCEPT AND DESIGN
BeStudio

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Koinè - Trieste


LAVAZZA
GROUP