



JUNE 2023

COMPANY REPORT

OLE &
STEEN

LAGKAGEHUSET

SUMMARY OF MANAGEMENT REVIEW 2022

The year 2022 has been **a year of growth** – we are proud to have served **more guests than ever before** in our bakery stores across Denmark, London and New York – but it was also a year marked by **macro-economic** upheavals, starting with the impact of the Omicron variant of COVID-19, which was short-lived. However, just as normalisation in customer behaviour and the return to the office was starting to be seen, Russia invaded Ukraine, leading to the largest conflict in Europe in a generation. This accelerated and exacerbated the post-COVID and Brexit **impact on the cost and supply of key raw materials**, particularly for a multinational artisan baker like us. Raw material Input costs and energy prices increased significantly throughout the year, with some raw materials increasing in price by more than double and energy prices rising between 6 and 10 times compared to 2019.

The **collapse in consumer confidence** in all three markets where we operate (Denmark, UK, and the US) combined with these cost increases had a **significant impact on profits in 2022**. Despite trying to offset some of these cost increases with strategic revenue management and operational delivery, there was a material impact on profits.

Our commitment to our purpose of creating "**a better bakery for all**" drove its thinking, planning, and results throughout the year. We invested in communication and engagement tools for our more than **3,500** employees across three countries, enabling them to provide real-time feedback and **stay informed about the business**.

For our guests, in coming to new communities, **establishing new bakeries**, new product development, and enhancing the loyalty app, with more than half a million people regularly engaging with us on news, offers, click & collect, delivery plus given us real time feedback on our offering. **The app won several awards** at Danish Digital Awards in 2022, and we will continue to build on the **guest experience** across our app and bakery stores.



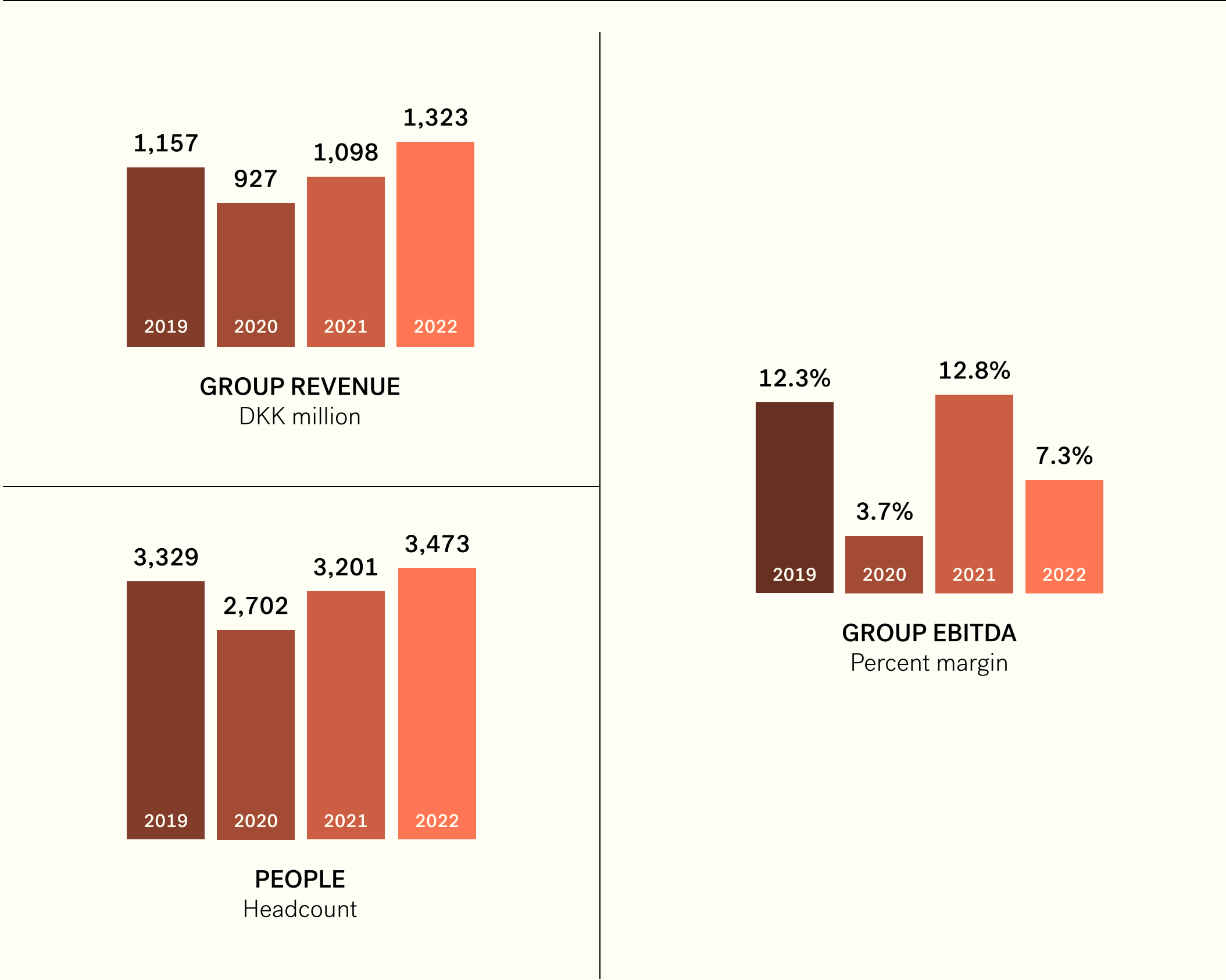
The transformation program entitled **SCALE** continued as planned to the end of 2022 and was finalised end year, with great achievements in creating tools and digital solutions to make the business from bakery to sales more structured and foreseeable. Reducing waste, planning better to create the foundation for our employees to succeed and eventually make better products and provide **better service to our customers**. This is evident in our customer Net Promoter Score (NPS) ending the year at a record high. Centralising ordering systems enabled **transparency and control for product availability** and minimum waste from the fully vertically integrated business.

Building upon our **artisanal skill and heritage** in baking and confectionary we continued to bring truly excellent products to our customers, and finally further expanding our digital footprint and loyalty customer program has brought even more value and improved services to our customers. Implementations of similar improvements including **learnings made in Denmark** is ongoing in London & New York and will **support the scalability of our business across the world**.

Group revenue for the period 1 January – 31 December 2022 amounted to **DKK 1.323 million (2021: DKK 1.098 million)** and EBITDA before special items for the period amounted to DKK 97 million (2021: DKK 140 million).



KEY FIGURES



STRUCTURAL GROWTH

Despite the **significant macro-economic challenges** of 2022, we continued to invest in the long-term growth and capacity of the business, deploying **DKK 158 million in capital** across the markets (2021: DKK 92 million). Lagkagehuset opened 3 new stores in Denmark, now having 109 stores. In London we continued to build on our successful portfolio and **added 6 new Ole & Steen stores** in 2022, all of which are **performing even better than our expectations** at opening. In total, by end of 2022 we had 22 stores in UK. The original plan was to open further 3-4 stores and all were contracted in 2022 however instability in the macro economical market situations led us to make **the pragmatic decision to delay 4 location openings** into the first half of 2023.

Feedback from customers remains very positive and the roll-out of new stores in London will continue. In 2022 we invested in **a large bakery facility** in Leyton securing supplies for the London area for the many new stores to come, the project was on time and on budget as we closed 2022. **In New York 2-3 openings were planned** but due to building and approval delays these are not opening until **Q2 and Q3 2023**.

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WORKING IN OUR BAKERY FACILITIES ACROSS **DENMARK, LONDON AND NEW YORK**

3 MILLION

MORE THAN **3 MILLION** PEOPLE IN LONDON AND NEW YORK TRYING OUR **DANISH BAKERY TREATS**

50 MILLION

FRESHLY BAKED. EVERY NIGHT. MORE THAN **50 MILLION BAKERY ITEMS** PER YEAR

+200

BAKERY FACILITIES WITH THE CAPACITY TO SERVE +200 STORES

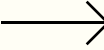




Nazlaa, Kingston, Upon Thames

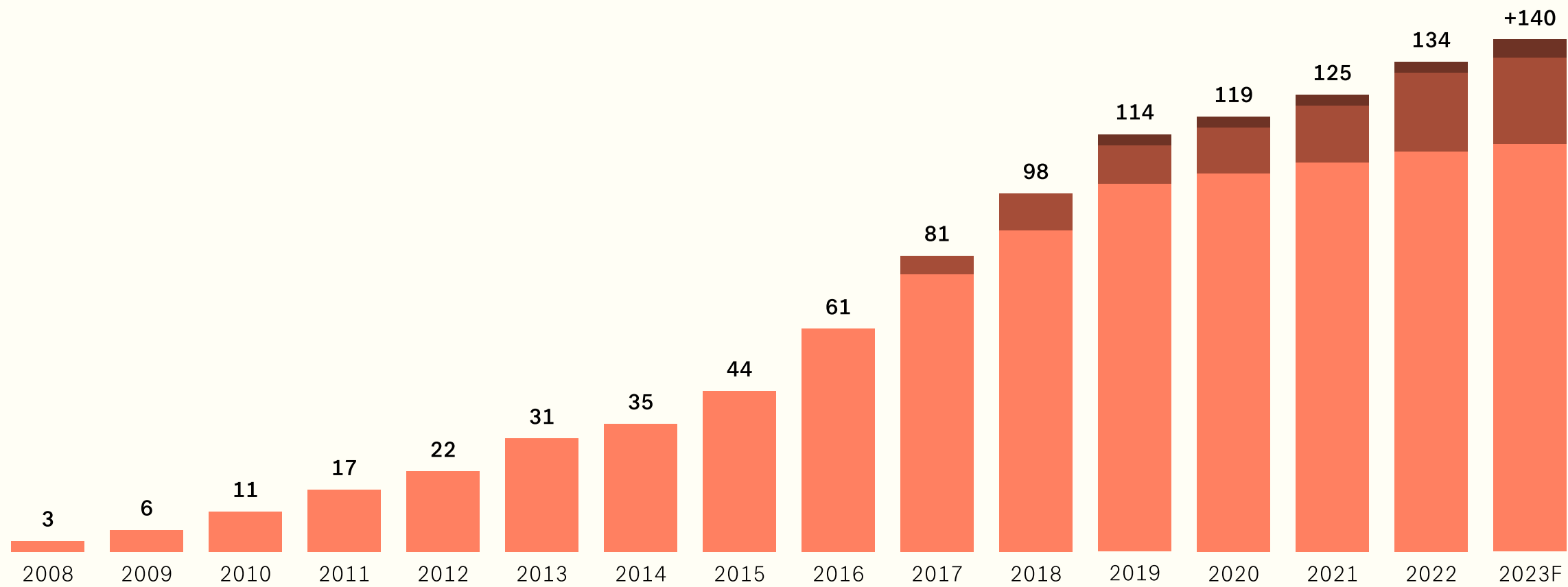
9 NEW STORES WERE OPENED IN 2022

Seven Diab, Neal Street



NSO DEVELOPMENT
Number of bakery stores

- US
- UK
- DK



In total **9 new stores** were opened in 2022 **across Denmark and London**. Current plans for openings for 2023 will depend on the development of the inflation and private economy but current pipeline supports same level expansions, but directed more towards our US market versus 2022.

In 2023, we have finalized the establishment of our **new bakery facility in London** and the **upgrade of our bakery facility in New York** following the severe impact of the Hurricane Ida in 2021. Our **international presence** has now grown to 30 bakery shops across London and New York (May 2023).

DIGITAL GROWTH

We continuously improve our Lagkagehuset app, engaging with over **half a million active users** in 2022. They regularly interact with us for news, offers, Click & Collect and delivery. Our app also enables us to get real-time feedback through net promoter score measurement, allowing thousands of customers to share **how they feel about us based on their latest visit**.

We now offer delivery in all three markets through our exceptional partners: Wolt, Deliveroo, Doordash, and Caviar. **Digital Sales have consistently grown**, leveraging habits formed during Covid and continuing to increase.

In-app sales have **surged by over 60% this year**, with over 12 thousand customers in our stores shopping through our digital channels weekly, and a total of **more than 100 thousand loyalty members shopping with us every week**.

In 2022 features as **gift cards and extended delivery** to 14 cities across Denmark were added to the app. **The Lagkagehuset app won several awards** at Danish Digital Awards in 2022, and the continued journey with our loyalty members continues into 2023.

14 CITIES

DELIVERY ACROSS 14 DANISH CITIES, LONDON AND NYC

+100K

WEEKLY SHOPPERS

+60%

GROWTH IN DIGITAL SALES

+700K

MEMBERS



ENVIRONMENT, SOCIAL AND GOVERNANCE STRATEGY

In 2022, we continued our focus on the **three core ESG priorities** that was set in 2021; **Food Waste, People's Wellbeing & Diversity**, and Packaging. In line with our ambition to become **the world's most loved bakery**, and the commitment that sets to doing good for our guests, our colleagues and the environment, we have started to work with **the CO2e baseline** that we established in 2021. The CO2e baseline enabled us to have **transparency and the ability to focus on some of the structural changes** within our scope 1 and 2 to reduce our emissions and improve the intensity measure (tCO2e/DKKm revenue). In 2021, we were supported by an external agency in setting up the baseline and for 2022 we **now embedded this within our Finance and Product Management teams**.



PEOPLE WELLBEING & DIVERSITY

Our people are our greatest asset and this year we have appointed our first Chief People Officer to lead and **drive the People agenda across all our markets**. Across the Group we now employ **more than 3,500 people**, and we remain dedicated to recruiting and developing **a workforce that reflects the broader society**. **We embrace and value the diversity of our people and offer an inclusive working environment** where difference is valued, and opportunities provided equally. We now have **67% female leaders** across our organization, slightly lower than last year. At the Board level we had no changes in composition through 2022 with one of six board members being female. By 2025, we have set a target to have **minimum two of six board members being female**.

Employee engagement is a key element of our people strategy, and we know that **a happy and productive workforce** will give our guests the best possible service and experience. We measure eNPS quarterly and use Gallup's 12-item engagement survey twice a year to provide valuable insights into what our teams are thinking and feeling about the business. We then **take specific action to address themes** as necessary. 75% of our team answered the latest Q12[®] and we continue to reap the benefits from the rich feedback we receive.

We strive to keep our teams well informed on and engaged with the company's strategy and business goals and continue to utilise our **fully digitalized people platform (LUNI)** across the Group which enables us to reach a direct dialog with each and every one of our colleagues. Additionally, we remain dedicated to continuously **professionalising our people systems and processes**.



...These guys
and girls <3

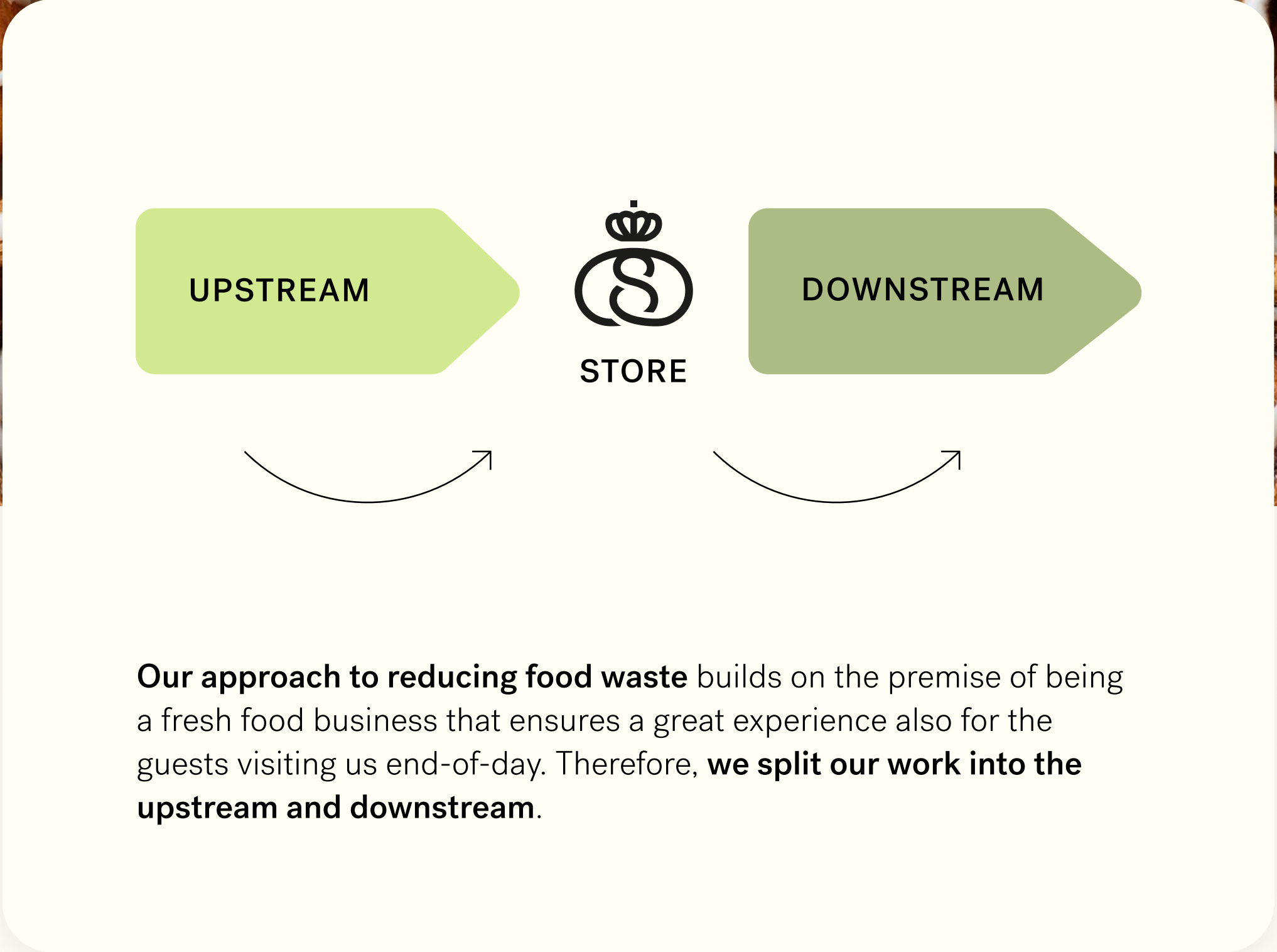


FOOD WASTE

Upstream we managed to successfully implement centralized ordering in the UK market building on our learnings from the implementation in the Danish market back in '21. Our centralized order system allows us to leverage deep data modeling in setting our forecasts for bakery products by location, day of week and time of day. This tool enables us to improve the accuracy of orders to effectively balance waste and sold-out across each of our bakery shops. Our US stores will start implement centralized ordering from end 2023.

Downstream, we have focused on new routes for making good use of our bakery products that are left end-of-day. In September 2022 we launched our 'Circle Bread', a sourdough aimed at repurposing "leftover" bread and promoting circularity in bread-baking.

Furthermore, we have continued to amplify our partnership with Too Good To Go across all three markets. In 2022, this resulted in saving more than 1.2 million bakery products from going to waste (a 33% increase from 2021). We plan to further build on these initiatives in 2023 finding new use to products that would usually go to waste, making innovation the core of our battle on food waste without compromising on taste and quality.



PACKAGING

The packaging review conducted in 2021 lead us to consider the user journey and life cycle of each packaging item. Most bakery bags and cake boxes end up in the waste management system of private housing, **by end of 2023 these items will be FSC-certified** and include a guide of how to best **recycle within that system**.

Single use coffee cups are, on the other hand, often disposed "en route" and therefore end up in general waste or regrettably in nature. In an effort to reduce the environmental impact, **we will introduce a new compostable and 100% plastic free coffee cup** replacing the plastic lining with a natural water-based resin made of gum resin from pine trees, starch tapioca and kaolin. Additionally, we will **switch from a plastic lid to a paper lid with the same coating**.

Still, reusable coffee cups are certainly **a better alternative**. Therefore, we plan to strengthen our efforts to encourage guests to avoid using disposable cups for their coffee. This will be achieved by **increasing incentives for bringing reusable cups** (such as discount schemes and app rewards) and offering alternative options for guests who prefer to **enjoy their coffee in-store using crockery**.

Improving our packaging selection will be **a continuous effort staying on top of technical developments** and hopefully soon a legislative direction for single use packaging.



CO2E BASELINE

Building on **the journey we started in 2021** to establish a comprehensive **CO2e emissions baseline across Scope 1, 2 and 3**, we have continued to work as an organization to **improve our understanding and reduce emissions**.

For the year of 2022, we have completed **a full review of our CO2e emission** and updated our baseline for 2021 according to the revisions creating **a transparent basis for comparison**. In 2021 we established our baseline with support from **The Footprint Firm** and for 2022 we anchored the process fully internal within our Finance and Product Management teams.

Our CO2e intensity has been reduced by 5% to 52.9 gram CO2e per DKK of revenue in 2022 (55.5 gram CO2e in 2021). Our total emissions for 2022 amounts to 69.923 tonnes (60.916 tonnes in 2021), and only within Upstream Capital Goods, Business Travel and Commuting have we increased our intensity, coming out of the pandemic and again growing structurally in our international markets and building **a new state-of-the-art artisan bakery in London to serve 60+ bakery shops**.

Consistently across 2021 and 2022, the baseline covers all entities for which we have **operational control and predominately relies on an activity-based approach** to assess the emissions using emission factors from published databases such as Defra and Concito.



COVERING THE ENTIRE VALUE CHAIN

BASELINE SCOPE

Categories in scope

SCOPE 3 UPSTREAM

Indirect emissions

1.
Purchased goods and services



2.
Capital goods



3.
Fuel- & energy related



4.
Upstream transport



5.
Waste in operations



6.
Business Travel



7.
Employee commuting




8.
Leased assets




SCOPE 1

Indirect emissions

Company facilities




Company vehicles




SCOPE 3 DOWNSTREAM

Indirect emissions


9.
Downstream transport




10.
Processing of products




11.
Use of sold products




12.
End-of-life treatment




13.
Leased assets



14.
Franchises




15.
Investments



SCOPE 2 UPSTREAM

Indirect emissions

Electricity & heating

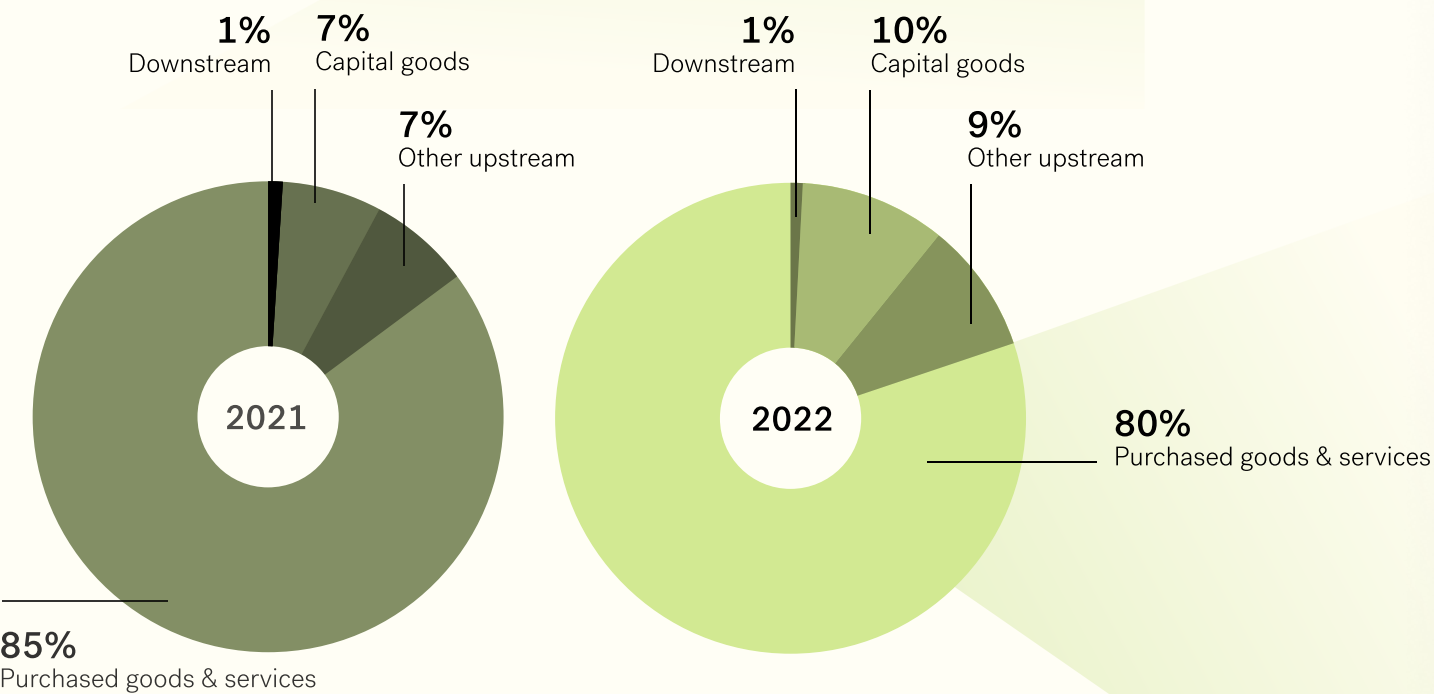
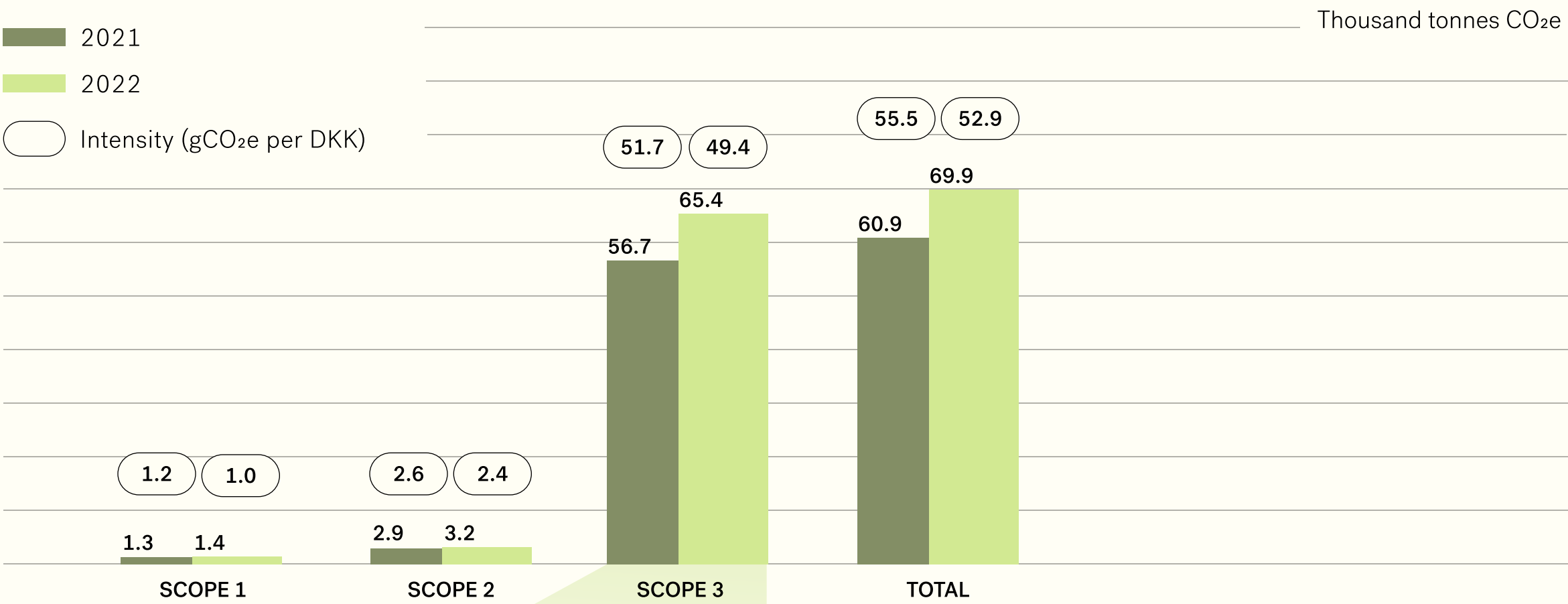


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We have mapped our emissions according to the **Greenhouse Gas (GHG) Protocol**, covering Scope 1 and 2, as well as all key categories in Scope 3. In calculating our emissions we have by majority used an activity-based methodology

CO2e BASELINE

CO2e BASELINE 2021 vs 2022 ¹



NOTE 1: Historical data as a rule should not change, but we aim to revise historical figures if data quality or science has improved, or if significant data errors has been identified. Doing this year's CO₂e inventory, we discovered a significant gap in the data used for calculating the baseline emissions related to our ingredients as well as a few data points missing on certain headquarter purchases. This data has been added and the historical baseline data for 2021 been revised to reflect this change in order to enable accurate comparability.



INGREDIENTS DETAILS

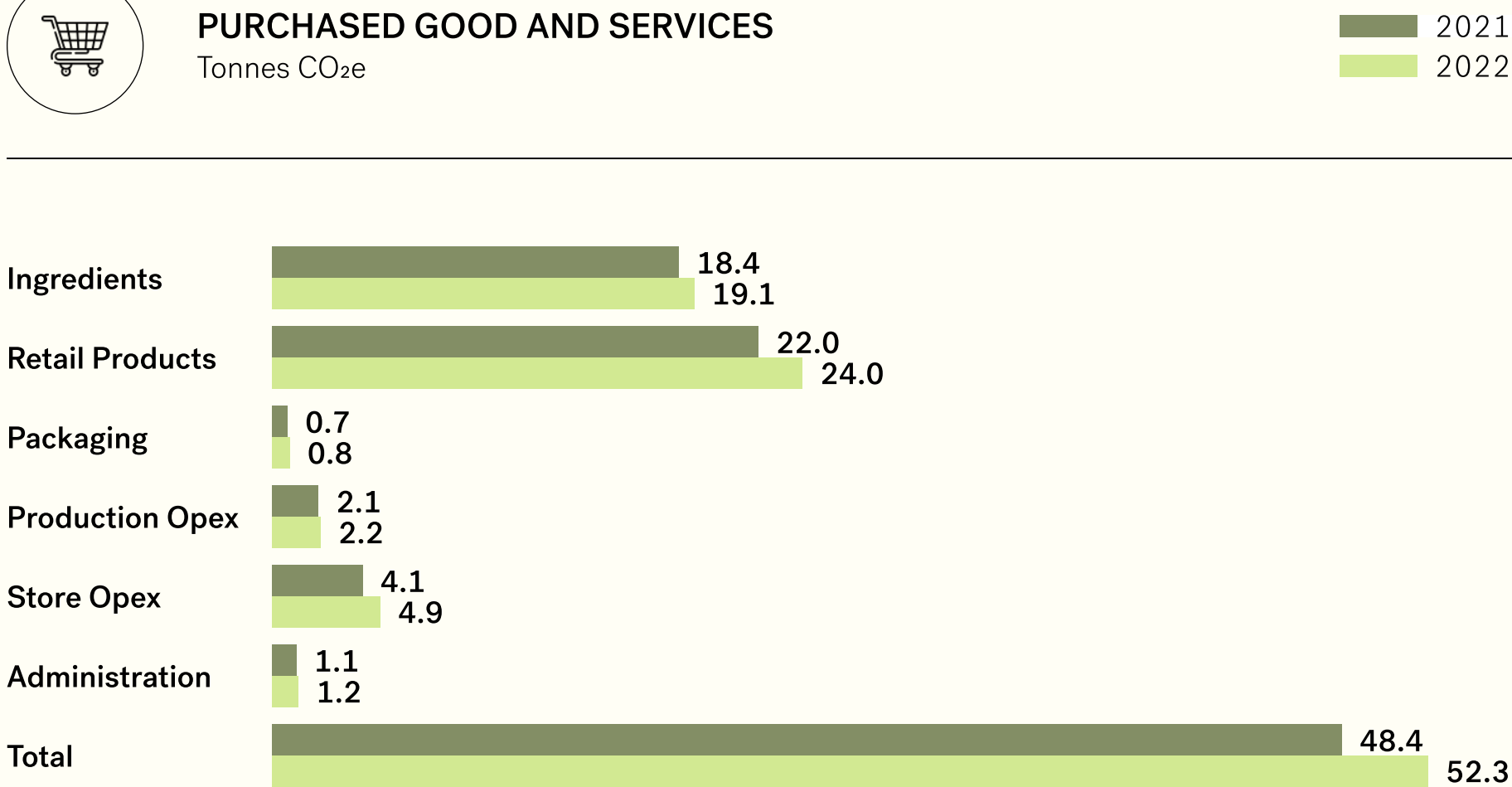
Tonnes CO₂e

	Ingredient Tonnes	Est. Carbon intensity kg CO ₂ e / kg ingredient	Total emissions Tonnes CO ₂ e
Wheat flour	3.689	0,83	3.0
Rye flour	791	0,76	0,6
Rye kernels	782	0,76	0,6



PURCHASED GOOD AND SERVICES

Tonnes CO₂e



ABOUT US



We are often asked **why we are called Lagkagehuset**. The story is actually quite amusing, if we do say so ourselves – and it has **several layers**.

It all started in Christianshavn, Copenhagen, specifically on Torvegade, where **Ole Kristoffersen and Jane Borup started kneading the dough** for the first Lagkagehus in 1991. The building they chose looked like...yes, a huge layer cake. So, naturally, they named their bakery after the house with many layers. It was also here that a rich culture began to take rise.

"When you step into the bakery, it should be an extraordinary experience," Jane and Ole said when they opened **the first Lagkagehus in Christianshavn in 1991**.

While Ole worked passionately in the bakery towards raising the bar for bread in Denmark, **Jane warmly greeted each guest, ensuring they felt welcomed and valued**.

Since then, Ole crossed paths with another bread enthusiast named Steen from Haderslev. The two joined forces, and together they expanded, opening **numerous 'Lagkagehuse' both locally and internationally**.

However, the **culture and magic** that Jane instilled from day one continues to thrive. Her approach to treating guests and colleagues alike shapes our daily lives. **We sincerely hope that your visit here is as enjoyable as our love for baking.**

Tak!