

Søstrene Grenes Import A/S

Mariane Thomsens Gade 1, 5.
8000 Aarhus C
CVR No. 76220115

Annual report 01.05.2021 - 30.04.2022

The Annual General Meeting adopted the
annual report on 07.09.2022

Lasse Skaarup Christensen
Chairman of the General Meeting

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Entity details

Entity

Søstrene Grenes Import A/S
Mariane Thomsens Gade 1, 5.
8000 Aarhus C

Business Registration No.: 76220115
Registered office: Aarhus
Financial year: 01.05.2021 - 30.04.2022

Board of Directors

Lasse Skaarup Christensen
Kurt Hedegaard Carstensen
Karen Sofie Hansen-Hoeck
Mikkel Vaupell Grene
Cresten Vaupell Grene

Executive Board

Mikkel Vaupell Grene
Cresten Vaupell Grene

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Søstrene Grenes Import A/S for the financial year 01.05.2021 - 30.04.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2022 and of the results of its operations for the financial year 01.05.2021 - 30.04.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 07.09.2022

Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

Board of Directors

Lasse Skaarup Christensen

Kurt Hedegaard Carstensen

Karen Sofie Hansen-Hoeck

Mikkel Vaupell Grene

Cresten Vaupell Grene

Independent auditor's report

To the shareholder of Søstrene Grenes Import A/S

Opinion

We have audited the financial statements of Søstrene Grenes Import A/S for the financial year 01.05.2021 - 30.04.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2022 and of the results of its operations for the financial year 01.05.2021 - 30.04.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 07.09.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Rosquist Andersen

State Authorised Public Accountant
Identification No (MNE) mne31482

Søren Marquart Alsen

State Authorised Public Accountant
Identification No (MNE) mne40040

Management commentary

Financial highlights

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,188,357	881,611	776,402	864,856	729,190
Gross profit/loss	377,690	262,840	151,248	243,262	227,464
Operating profit/loss	161,729	84,713	(13,908)	98,194	109,087
Net financials	5,172	(1,742)	3,096	848	(4,205)
Profit before tax	167,183	83,434	(10,493)	99,040	104,883
Profit/loss for the year	130,388	64,937	(6,920)	77,052	81,745
Total assets	793,683	705,691	687,615	644,975	461,356
Investments in property, plant and equipment	7,047	2,100	5,912	24,171	80,762
Equity	441,259	324,856	293,698	295,968	214,473
Ratios					
Return on equity (%)	34.04	21.00	(2.35)	30.19	47.12
Equity ratio (%)	55.17	46.00	42.80	45.90	46.50

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Financial highlights for 2019/20 to 2021/22 are not comparable to previous years, due to merger between Søstrene Grenes Import A/S and Søstrene Grenes Handelskompagnie A/S.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

THE WONDERFUL WORLD OF ANNA & CLARA

The wonderful tale of Søstrene Grene began in the late summer of 1973, in Aarhus, Denmark. It is the story of the two elderly sisters, Anna and Clara Grene, who diligently work to create slight, bright differences to everyday life.

Søstrene Grene is a chain of retail stores where a truly special atmosphere exists. Walking into one of these stores is meant to feel like entering an oasis where, at least for a while, shoppers can take a break from the hectic pace of everyday life. By doing this, Søstrene Grene seeks out to set the stage for wonderful experiences and joyful moments. Experiences that encourage people to explore and to let their imagination run free.

With great passion, Søstrene Grene develops new designs within their product categories. The stores receive a wealth of new products every week, and many of these items are only sold for a short period of time. Common to all products is an elegant and feminine expression that brings beauty to everyday life, and the prices are always kept at a very reasonable level. In every respect, Søstrene Grene is based on strong values, as a family owned and operated company with a unique culture called "the Sister Spirit".

Today Søstrene Grene is still managed from the head office in Aarhus, Denmark, where it all began with the first store opening. Welcome to Anna and Clara´s wonderful world.

Aarhus, 7 September 2022

Cresten & Mikkel Vaupell Grene
Owners

Primary activities

Søstrene Grene is a family-owned and -operated group of companies. The family ownership makes it possible to think and operate Søstrene Grene with a sound and long-term perspective according to the good values that we believe in while constantly innovating the concept and products, respecting the history and culture of Søstrene Grene dating back to the very beginning in 1973.

The business consists of a wholesale business related to the import and export of goods to the Søstrene Grene stores and retail activities in webshops, own stores and stores partly owned through joint venture companies. Apart from fully owned and partially owned stores, a large number of the Søstrene Grene stores are owned and operated by franchise partners.

All rights related to the Søstrene Grene brand is owned by the wholesale company Søstrene Grene Import A/S, which is a fully owned subsidiary of Søstrene Grene Holding ApS.

In the financial year, Søstrene Grene stores are found in Austria, Belgium, Denmark, Faroe Islands, Finland, France, Germany, Iceland, Ireland, Norway, the Netherlands, Sweden, Switzerland and the UK.

Søstrene Grene has more than 4.8 million followers on different social media platforms, which plays a vital part in the business strategy.

Development in activities and finances

Søstrene Grene has over the years development and refined the concept and assortment while expanding into new areas with a very positive response from customers in all markets. The Covid-19 pandemic impacted the financial year 2020/21 as it was a difficult and turbulent period – but it was also a period which accelerated the digitalisation of the business model in Søstrene Grene. The markets were partly shut down during the financial year 2020/21 and reopened as the new financial year 2021/22 began. The reopening of the stores marked a very impressive start of the financial year, and really proved that the customers had been missing the physical stores during lock-down although a new webshop option had been made available. Søstrene Grene experienced the highest revenue during the summer months ever and the trend continued during the year. The webshop experienced a slow-down as the physical stores reopened but still delivered a satisfying growth. All in all, it was the highest revenue and best financial results ever. The management considers the results very satisfying.

Profit/loss for the year in relation to expected developments

Revenue for the year has increased from DKK 882m to DKK 1,188m following the lock-downs due to Covid-19, and it is the highest revenue in a year in the history of Søstrene Grene Import ApS. The income statement for the financial year ending 30 April 2022 shows a gross profit increasing from DKK 263m to DKK 378m. The profit before tax shows an increase from DKK 83m to DKK 167m. The increase is a result of a very strong performance during the year.

Operating profit is DKK 162m compared to 2020/21 when operating profit was DKK 85m. This is the best financial performance in the history of Søstrene Grene Import and is considered to be very satisfactory.

The balance sheet shows an equity of DKK 441m (30 April 2021: DKK 325m).

Unusual circumstances affecting recognition and measurement

There was a general positive response to the reopening of physical stores after the lock-downs due to Covid-19 which has impacted the profit in a positive way.

Outlook

The strategy is to continue the major digital transformation with several large, important projects on the way. The goal is to digitalise the company even more, add more automatisations and to offer a “customer centric” digital Søstrene Grene with all the options and services that the future customers are going to need and more as well as increase the variety of products sold online.

Although Søstrene Grene is becoming an omnichannel business with more digital solutions and more web-shops on the way, the physical stores will still be in the centre of it all. Not only has a major upgrade of stores been initiated with the new Retail for the senses concept, but the expansion with brand new stores has also been restarted after the Covid-19 crisis. In the coming years, more than 100 different new stores are expected to be opened around Europe.

The expectations for the financial year were a growth in revenue of 10 - 20% to DKK 950m – DKK 1,050m. The financial year 2021/22 has realised an increase in revenue of DKK 307m, or 34%. This increase is above the expectations and is considered very satisfactory.

It is expected that the current difficult economic environment around the world and the negative consumer outlook in Europe will have a negative impact on the turnover. Management expects the revenue in 2022/23 to increase in the range of 5% to 15% to approximately DKK 1,250m to DKK 1,375m. This expectation is based on organic growth and opening of new stores.

For the turnover in all channels (including the franchisee operated) the goal is to reach a turnover of DKK 3bn including VAT in 2023 (not all of the turnover will be within Søstrene Grenes Holding ApS, since some of the stores are operated by franchisees).

Earnings before tax for the year 2022/23 are expected to be in the range of DKK 110m to DKK 130m, which will be the second best results in the history of Søstrene Grene even though it is less than 2021/22. Further investments in organisational resources, a new IT infrastructure for the expanding omnichannel business and further digitalisation of the business are planned. Investments that are expected to bring increased revenue and earnings in the years to come.

Material assumptions and uncertainties

The exact number of new stores cannot be predicted since it depends on timing of opening and availability of suitable locations.

The high inflation impacts the margin negatively and increases the costs in all areas of the business. The expected impact is included in the outlook.

There are uncertainties in the worldwide distribution system. Transport by both sea and land is challenged due to lack of resources.

There is an uncertainty related to a possible return of the Covid-19 pandemic in one or more countries

Particular risks

A pandemic leading to shutdown of stores in multiple countries is a risk. Other risks involve generally usual risks related to wholesale and retail business including fluctuations of currencies, debtor's ability to pay, freight rates, consumers behaviour, new legislation related to the business in different countries, EU directives and BREXIT.

The main currency risk relates to the purchase of products in US dollar. To offset the risk of currencies going forward a hedging policy has been implemented. Product purchase is hedged by 25%, 50% and 75% of expected usage in the periods 7-12, 4-6 and 1-3 months respectively in advance.

Interest rate risk is primarily related to the short-term debt to banks. The long-term debt is split between fixed interest rate and variable interest rate with ratio 65%/35%. The aim is to limit the interest risk and ensure not to be exposed to increased interest rates.

Statutory report on corporate social responsibility

Søstrene Grene is a family-owned company with strong human values. As a natural consequence, corporate social responsibility and respect for human rights have always been highly prioritised and are a natural part of the way Søstrene Grene runs its business. For further regarding the business model see the section on primary activities above.

Responsible Sourcing Strategy and Human Rights

Søstrene Grene's products are manufactured by suppliers all over the world – in Asia, Europe, Africa and North and South America. The main risk factors of working with suppliers all over the world are: Human rights and labour rights violations, unsafe working environment, and environmental issues. Søstrene Grene's Responsible Sourcing and Production Strategy is therefore considered one of the most essential parts of Søstrene Grene's CSR strategy.

For Søstrene Grene it is very important that our customers feel confident that our products are produced under proper conditions, and that the people working in the production are treated with respect and according to international legislation. We are committed to promoting human rights in our supply chain, where we recognise there is a risk of violations against workers. Søstrene Grene's Supplier Code of Conduct defines the requirements that Søstrene Grene sets for all suppliers, especially regarding human rights. We have approximately 250 active suppliers in 21/22. The requirements refer to human rights, labour rights, working environment, environmental protection etc. Søstrene Grene is an active member of the amfori Business Social Compliance Initiative (amfori BSCI), a leading international supplier management system.

Amfori BSCI has more than 2,000 members and provides a system to monitor the working conditions at 54,000 suppliers, based on 13 principles. The principles prohibit child labour, corruption and discrimination, while driving improvements in the occupational health and safety of workers and in the protection of the environment. All the principles are set out in the amfori BSCI Code of Conduct, to which all members adhere. This involves regular audits of the manufacturers, through which independent auditors ensure that the factories comply with all the requirements.

We believe that by being an active member of BSCI, we stand stronger together with the many members in making a significant and continuous difference throughout the supply chain.

In addition to amfori BSCI's auditing activities, we continue to collaborate directly with our suppliers on improvements, since this has a significant effect on working conditions and environmental protection. If a factory can't comply with the requirements in our Code of Conduct, we initiate a dialogue with the manufacturer to find out how we can move forward in the process.

Søstrene Grene has a regional office in China, from where our own employees work to create a close relationship with our Chinese suppliers. This involves audits of the factories including quality control of the production.

Our goal is that by the end of 2022, 80% of our suppliers outside the EU must work actively to prepare for a BSCI audit. It is not possible to reach 100% as some of our suppliers in India are approved under other recognised supplier management systems (such as Sedex/Smeta).

This year, 70% of our suppliers outside the EU have successfully undergone a BSCI audit. This process is ensured by working systematically with our set-up for responsible supplier management. This setup includes all the requirements we place on our suppliers, both in relation to amfori BSCI and our own inspections, and it will be continuously developed and expanded.

Anti-Corruption and Bribery

Søstrene Grene has a zero-tolerance policy against corruption and bribery. By always acting fairly, professionally and with integrity, Søstrene Grene wishes to ensure good working relationships with all our stakeholders. It is a policy that employees are made aware of during introductory training and continuous awareness raising. This is also part of the amfori BSCI setup.

The risks are related to legal and financial consequences related to employees violating the policy. No violations have come to management's attention in the financial year.

Head office

We employ around 450 employees at our head office and two warehouse locations in Denmark. About half of these are employed at our warehouse while the rest work at the office in functions like Design, Buying, Marketing, IT, Finance etc.

Working environment

A healthy and safe work environment is very important for us. We strive to reduce the risks related to employee matters such as stress on the job, an unhealthy work environment, or lack of motivation. It goes both in our stores and at our head office in Denmark. We conduct yearly job satisfaction surveys, which focus on both the physical and mental working environment to ensure every employee gets the chance to give anonymous feedback and we get a solid overview of the work conditions. Our survey from spring 2022 (conducted for all our HQ locations) shows an overall performance score of 3.99 on a scale from 1 to 5. Specific questions in the survey "I am satisfied with my job" and "I can strongly recommend Søstrene Grene as a good place to work" scores respectively 4.35 and 4.43 on a scale from 1 to 5. We are really proud of the results, and we continuously emphasise the importance of our Sister Spirit and our values both to the employees and our managers to ensure a strong culture and cooperation where everybody feels welcome, involved and safe.

Management

We want a simple structure with focus on high-quality leadership and freedom with responsibility. Through a strong Sister Spirit, we focus on the individual employee and his/her need for flexible working hours as well as work structure. Our managers receive training on an ongoing basis and advice on potential challenges related to their employees.

Environment and Climate

Søstrene Grene has a climate and environmental footprint throughout the value chain. It is our goal to minimise the risk of a negative environmental impact and reduce the carbon footprint throughout our entire value chain. We therefore have a major responsibility to reduce our CO2 emissions, in view of the future environment and climate changes the world is facing.

In March 2022, we began collecting data for our environmental footprint. The objective is to calculate the total CO2 emission for our entire value chain over a period of 4 years starting from 2018/19 until 2021/22. The emission will be reported for both Scope 1 & 2 as well as for a large part of Scope 3. On the basis of this, we will identify the areas where we will be working actively to reduce our footprint.

The work is not entirely completed yet. However, we expect to be able to publish the result with our responsibility report for 2021/22 in October 2022.

During this financial year, we have initiated a number of initiatives to minimise the risks of negative impacts on the environment and the climate from the products we design and/or buy.

PRODUCTS MADE FROM PLASTIC

Plastic is a material used for many different things. Plastic has many good properties; it is for example a lightweight material when needed to be transported, which allows to save fuel. As food packaging, plastic protects and extends the shelf life of the food so that food waste is minimised. For toys, it is robust and easy to clean.

At Søstrene Grene, there is a great focus on plastic. Plastic should be used with care and only when no other alternatives are available. Preventing the emergence of plastic waste and reducing the plastic consumption are the most environmentally friendly things to do when it comes to waste hierarchy. Therefore, if we are to choose plastic for a product, it is important to choose plastic that can be reused again and again, or plastic that can be recycled. All single-use plastic is unnecessary plastic as it has negative effects on the climate and environment.

PHASE-OUT OF SINGLE-USE PLASTIC

Based on the principle that all single-use plastic is unnecessary plastic, we at Søstrene Grene have chosen to phase out virtually all single-use plastic. But there will be some exceptions where there is no other alternative, such as tape.

In 2021/22, we have removed the following single-use plastic products from our assortment:

- Single-use plastic ribbon (1/4-22)
- Transparent plastic film for wrapping (1/4-22)
- New Year's party horn with plastic mouthpiece (1/4-22)

The following products in 22/23:

- Rain Poncho in single-use plastic (out of store 1/7-22)
- Foil balloons (out of store 1/1-23)
- Transparent single-use food bags (out of store 1/1-23)

PHASE-OUT OF DISPOSABLE TABLEWARE

At Søstrene Grene, we focus on selling products that can remain in the cycle as long as possible so that as little waste as possible is generated - and so that the impact on the climate and environment remains as little as possible.

As part of the decision to phase out single-use plastic products, we have decided to start phasing out disposable tableware products made of paper/cardboard during the financial year of 22/23. These products just end up as waste as the materials cannot be recycled after use.

Disposable tableware paper products which will be phased out:

Paper straws
Paper muffin cups
Popcorn cups
Candy bags
Paper plates
Paper cups

All products will be phased out by 30 June 2023.

The above products will be phased out for the following reasons:

- Paper which has been used for food products cannot be recycled and can therefore not remain in the cycle
- The products are single-use products, which means that they end up as waste after use
- It is very difficult to find a coating which prevents chemical substances from the print to get in contact with the food (plastic wrapping cannot be used)

PRODUCT PACKAGING

It has always been one of Søstrene Grene's principles that customers should be able to see, feel and touch the products. This enhances our senses and gives a very different experience of the product. The goal has therefore always been to use as little product packaging as possible with Søstrene Grene's products.

However, product packaging cannot be completely avoided in all cases, due to hygiene, durability and product safety considerations. Just as we intend to reduce the amount of single-use plastic products, we also have a clear aim to reduce the plastic product packaging as much as possible. If plastics are used for packaging, our aim in the future is to indicate which type of plastic has been used, so it can be sorted correctly for recycling.

As we at Søstrene Grene generally consider all single-use plastic as unnecessary plastic, we have reduced our use of plastic for product packaging. We have developed various types of packaging in cardboard/paper for our non-food products, where the focus remains on minimising the packaging consumption of our products.

When we apply a packaging, it must be uniform and easy to disassemble so that the consumer can sort it and properly recycle it. The product packaging thus remains circular and can be reused.

FOOD PACKAGING

It is crucial that the food packaging protects its contents and thereby ensures and extends the shelf life of the food. Consequently, large amounts of food waste can be avoided. As the food packaging must live up to very strict requirements regarding its content and release of chemical substances, the food packaging is often of high quality, which makes it very suitable for recycling. Therefore, the food packaging must be designed in such a way that makes it possible to sort the packaging correctly so that it can be recycled. At Søstrene Grene, we are in an ongoing dialogue with our food packaging suppliers to ensure this.

TRANSPORT PACKAGING

Søstrene Grene transports many products, and the use of transport packaging is unavoidable. Therefore, we have set strict requirements and provided instructions to our suppliers regarding packaging of products. The products must be safe to transport, but no unnecessary packaging may be used.

MINIMISING FOOD WASTE

When we choose to offer our customers a selection of food products and beverages, we cannot entirely avoid waste in the supply chain due to expiry dates.

We will naturally do our utmost to minimise the waste to the extent possible. This is primarily done with effective planning. If we have a situation where we cannot sell a product due to expiry dates or a shift in season, we will try to find another solution.

We have a close collaboration with companies specialising in selling this type of products to the consumers. This goes for both larger quantities from our central warehouse as well as for small quantities from our local stores.

In Denmark, we have a collaboration with Motatos, which buys products from our central warehouse. Motatos is an online shop working to reduce food waste by selling products past the expiry date.

In the Netherlands, we collaborate with Too Good To Go in all stores, and we wish to expand the collaboration to more markets. In the autumn of 2022, we launch Too Good To Go in Germany after which we will continue with more markets.

ENERGY INITIATIVES

Søstrene Grene has launched some initiatives to help reduce our carbon footprint in relation to energy consumption:

The electricity at Søstrene Grene's warehouse locations in Aarslev and Viby near Aarhus is purchased as 100% wind energy.

- LED lights are used in the entire Søstrene Grene logistics centre at Aarslev and in many Søstrene Grene stores.
- All light sources at Søstrene Grene's web warehouse in Viby have been replaced in the spring of 2021 and now also run with LED lights.

RENEWABLE ENERGY IN STORES

The electricity used in all Søstrene Grene's 60 stores in Germany is purchased as 100% renewable energy. The same applies to Søstrene Grene's 11 stores in the Netherlands.

TRANSPORT BY SEA

At Søstrene Grene, we have a responsibility to help reduce carbon emissions. Through our close collaboration with Maersk, we have therefore chosen Maersk's ECO Delivery product. Maersk ECO Delivery uses biofuels produced from recyclable and sustainable biomass that have been certified as sustainable fuels. Maersk has the stated goal of achieving carbon-neutral shipping by 2050. Søstrene Grene's agreement with Maersk commenced on 1 October 2021. We expect this to make a significant contribution to reducing carbon emissions related to our transport by sea.

Statutory report on the underrepresented gender

Statutory report on the underrepresented gender in Management, see section 99b of the Danish Financial Statements Act.

The supreme governing body of Søstrene Grene Import A/S is composed of four male board members and one female. By the end of 2023, Søstrene Grene Import A/S will seek to obtain a ratio of at least 40:60% of the underrepresented gender. The future ratio will be effected through external recruitment if there are relevant candidates.

The split of the gender representation for management bodies in the company is currently women 60% and men 40% . Persons of both genders are being recruited to management positions internally or externally based on qualifications.

Even though competences do always come first in the selection of resources to management positions, Søstrene Grene strives to offer equal possibilities for men and women on the management level. With more male owners within the Group, it is a challenge to change the ratios from day to day in the top management, but the overall goal is to give equal possibilities and access to management positions to both genders.

Statutory report on data ethics policy

Søstrene Grene takes its responsibility as data controller seriously as we want to be perceived as a respected, competent and proper business partner who complies with current legislation and follows developments in good data ethics.

The 3 principles of the Søstrene Grene policy on data ethics and responsible handling of personal data.

1. Respect for the privacy of customers and employees is a fundamental value.
2. All Søstrene Grene employees who access personal data are trained in the proper handling of personal data. We have procedures to ensure that access to personal data is on a need to know basis only.
3. Personal data is always kept to a minimum in order to fulfil the purpose, is stored securely, kept accurate, retained for no longer than necessary, and is only used for specific and legitimate business.

The Group has had increased focus on development and implementation of the Group Data Ethics policy since 2021 and strives towards optimising and improving the policy in the coming years.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK '000
Revenue	2	1,188,357	881,611
Other operating income	3	18,510	17,747
Cost of sales		(676,301)	(514,801)
Other external expenses		(152,876)	(121,717)
Gross profit/loss		377,690	262,840
Staff costs	4	(191,906)	(156,493)
Depreciation, amortisation and impairment losses	5	(17,139)	(16,511)
Other operating expenses		(6,916)	(5,123)
Operating profit/loss		161,729	84,713
Income from investments in group enterprises		282	463
Other financial income	6	17,225	7,376
Other financial expenses	7	(12,053)	(9,118)
Profit/loss before tax		167,183	83,434
Tax on profit/loss for the year	8	(36,795)	(18,497)
Profit/loss for the year	9	130,388	64,937

Balance sheet at 30.04.2022

Assets

	Notes	2021/22 DKK'000	2020/21 DKK'000
Acquired intangible assets		34,560	28,932
Intangible assets	10	34,560	28,932
Land and buildings		207,991	208,254
Other fixtures and fittings, tools and equipment		15,635	15,885
Leasehold improvements		1,295	640
Property, plant and equipment	11	224,921	224,779
Investments in group enterprises		2,141	1,700
Receivables from group enterprises		97	13,259
Deposits		6,688	8,324
Other receivables		2,083	3,020
Financial assets	12	11,009	26,303
Fixed assets		270,490	280,014
Manufactured goods and goods for resale		166,763	148,493
Prepayments for goods		1,360	1,416
Inventories		168,123	149,909
Trade receivables		23,039	24,707
Receivables from group enterprises		192,739	228,871
Other receivables		48,121	4,908
Prepayments	13	8,037	6,916
Receivables		271,936	265,402
Cash		83,134	10,366
Current assets		523,193	425,677
Assets		793,683	705,691

Equity and liabilities

	Notes	2021/22 DKK'000	2020/21 DKK'000
Contributed capital		510	510
Reserve for fair value adjustments of hedging instruments		10,852	0
Retained earnings		229,897	294,346
Proposed dividend		200,000	30,000
Equity		441,259	324,856
Deferred tax	14	12,976	10,935
Provisions		12,976	10,935
Mortgage debt		95,449	102,030
Bank loans		12,363	60,346
Lease liabilities		14,095	16,768
Deposits		0	70
Other payables		8,209	8,043
Non-current liabilities other than provisions	15	130,116	187,257
Current portion of non-current liabilities other than provisions	15	15,195	23,754
Bank loans		508	19,507
Convertible and dividend-yielding debt instruments		0	5,690
Trade payables		142,062	99,288
Payables to group enterprises		1,513	521
Joint taxation contribution payable		15,747	12,183
Other payables		34,307	21,700
Current liabilities other than provisions		209,332	182,643
Liabilities other than provisions		339,448	369,900
Equity and liabilities		793,683	705,691
Events after the balance sheet date	1		
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2021/22

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	510	(1,533)	295,879	30,000	324,856
Ordinary dividend paid	0	0	0	(30,000)	(30,000)
Fair value adjustments of hedging instruments	0	15,878	0	0	15,878
Other entries on equity	0	0	3,630	0	3,630
Tax of entries on equity	0	(3,493)	0	0	(3,493)
Profit/loss for the year	0	0	(69,612)	200,000	130,388
Equity end of year	510	10,852	229,897	200,000	441,259

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2021/22	2020/21
	DKK'000	DKK'000
Nordic	551,433	433,040
DACH and Benelux	383,983	292,693
Southern Europe	205,467	128,569
UK	47,474	27,309
Total revenue by geographical market	1,188,357	881,611

The Group's primary activities are to buy, design and sell goods to the Søstrene Grene shops and to develop the Søstrene Grene concept. Referring to S. 96 of the Danish Financial Statements Act, Management does not want to further disclose the geographical distribution of revenue as a detailed distribution of the Company's revenue by geographical area will be of considerable damage to the competitive situation.

3 Other operating income

Other operating income consist of sale of software, consulting work in connection with design of shops, accounting fees and compensation received from the wage support schemes established as a result of the outbreak and spread of Covid-19 with DKK 1,358,481 in 2021/22 (2020/21: DKK 3,925,882).

4 Staff costs

	2021/22	2020/21
	DKK'000	DKK'000
Wages and salaries	174,120	143,579
Pension costs	17,045	12,951
Other social security costs	3,906	1,965
Other staff costs	(3,165)	(2,002)
	191,906	156,493
Average number of full-time employees	360	286

	Remuneration of Management 2021/22 DKK'000	Pension liabilities 2021/22 DKK'000	Remuneration of Management 2020/21 DKK'000	Pension liabilities 2020/21 DKK'000
Total amount for management categories	5,768	451	2,862	235
	5,768	451	2,862	235

According to S. 98b(3) of the Danish Financial Statements Act, Executive Board's and the Board of Directors' remuneration is shown collectively.

5 Depreciation, amortisation and impairment losses

	2021/22 DKK'000	2020/21 DKK'000
Amortisation of intangible assets	10,528	8,914
Depreciation of property, plant and equipment	6,534	7,597
Profit/loss from sale of intangible assets and property, plant and equipment	77	0
	17,139	16,511

6 Other financial income

	2021/22 DKK'000	2020/21 DKK'000
Financial income from group enterprises	4,876	4,061
Other interest income	12,349	3,315
	17,225	7,376

7 Other financial expenses

	2021/22 DKK'000	2020/21 DKK'000
Other interest expenses	12,053	9,118
	12,053	9,118

8 Tax on profit/loss for the year

	2021/22 DKK'000	2020/21 DKK'000
Current tax	34,754	13,094
Change in deferred tax	2,041	5,403
	36,795	18,497

9 Proposed distribution of profit and loss

	2021/22 DKK'000	2020/21 DKK'000
Ordinary dividend for the financial year	200,000	30,000
Extraordinary dividend distributed in the financial year	0	30,000
Retained earnings	(69,612)	4,937
	130,388	64,937

10 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	56,641
Additions	16,156
Disposals	(156)
Cost end of year	72,641
Amortisation and impairment losses beginning of year	(27,709)
Amortisation for the year	(10,528)
Reversal regarding disposals	156
Amortisation and impairment losses end of year	(38,081)
Carrying amount end of year	34,560

11 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	218,921	33,016	5,685
Additions	1,852	4,089	1,106
Disposals	0	(3,385)	(2,850)
Cost end of year	220,773	33,720	3,941
Depreciation and impairment losses beginning of year	(10,667)	(17,131)	(5,045)
Depreciation for the year	(2,115)	(4,122)	(297)
Reversal regarding disposals	0	3,168	2,696
Depreciation and impairment losses end of year	(12,782)	(18,085)	(2,646)
Carrying amount end of year	207,991	15,635	1,295
Recognised assets not owned by entity	0	11,712	0

12 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	1,015	13,259	8,324	3,020
Exchange rate adjustments	127	0	0	0
Additions	0	0	535	0
Disposals	0	(13,162)	(2,171)	(937)
Cost end of year	1,142	97	6,688	2,083
Revaluations beginning of year	685	0	0	0
Exchange rate adjustments	32	0	0	0
Share of profit/loss for the year	336	0	0	0
Other adjustments	(54)	0	0	0
Revaluations end of year	999	0	0	0
Carrying amount end of year	2,141	97	6,688	2,083

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Søstrene Grene Europe B.V.	The Netherlands	B.V.	100
Søstrene Grene Trading (Shanghai) Co., Ltd.	China	Co. Ltd.	100

13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

14 Deferred tax

	2021/22 DKK'000	2020/21 DKK'000
Intangible assets	7,702	6,365
Property, plant and equipment	10,996	9,542
Inventories	(2,702)	(2,275)
Receivables	(2,591)	(2,244)
Liabilities other than provisions	(429)	(453)
Deferred tax	12,976	10,935

	2021/22 DKK'000	2020/21 DKK'000
Changes during the year		
Beginning of year	10,935	5,687
Recognised in the income statement	2,041	4,182
Recognised directly in equity	0	1,066
End of year	12,976	10,935

15 Non-current liabilities other than provisions

	Due within 12 months 2021/22 DKK'000	Due within 12 months 2020/21 DKK'000	Due after more than 12 months 2021/22 DKK'000	Outstanding after 5 years 2021/22 DKK'000
Mortgage debt	6,665	6,722	95,449	70,627
Bank loans	2,150	11,317	12,363	3,763
Lease liabilities	6,380	5,715	14,095	3,765
Other payables	0	0	8,209	0
	15,195	23,754	130,116	78,155

16 Financial instruments

Other receivables include a positive fair value of forward exchange contracts of DKK 13,910k (2020/21: DKK 1,966k). The forward exchange contracts have been entered into to hedge the foreign currency risk of trade payables in USD total 32,000k. The exchange loss has been set off against the value adjustment of the hedged liabilities in the income statement. The forward exchange contracts have a term of 2-12 months. The forward contracts have been entered into with the Company's usual bank.

17 Unrecognised rental and lease commitments

Unrecognised rental and lease commitments amount to DKK 60 m in 2021/22 compared to DKK 72m in 2020/21.

Of total rental and lease commitments, the total unrecognised rental commitments amounts to DKK 54m and unrecognised lease commitments amounts to 6m.

The Company subleases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 26m

18 Contingent liabilities

The Company's bank has issued a bank guarantee of DKK 3m for leaseholds at the balance sheet date, as well as other guarantee of DKK 5m.

The Company's bank has issued a bank guarantee of DKK 37m for outstanding amounts in Aarhus Reail B.V., Hilmer 1-7 GmbH, Hilmer West 1-4 GmbH, Hilmer Süd Holding GmbH and Hilmer Süd 1-5 GmbH.

The Entity participates in a Danish joint taxation arrangement where Søstrene Grenes Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

19 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 104m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 208m.

Collateral provided for group enterprises

The Entity has provided a joint and several guarantee to Sydbank for the parent Søstrene Grenes Holding ApS. The bank debt amounts to DKK 0m at the balance sheet date.

20 Related parties with controlling interest

Søstrene Grenes Holding ApS, Aarhus C, wholly owns the shares of the Entity and thus has control over the Entity.

21 Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Søstrene Grenes Holding ApS, Aarhus

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from sale of intangible assets property, plant and equipment.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group

enterprises, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with Søstrene Grenes Holding ApS and all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights, prepayments for intangible assets and Software.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Straight-line amortisation is made on the basis of the estimated useful lives of the assets which are 3-5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, leasehold improvements as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	5-50 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a

financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

The Company has omitted to prepare a cash flow statement in accordance with S. 86 of the Danish Financial Statements Act, as this is included in the consolidated financial statements, for Søstrene Grenes Holding ApS.