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Søstrene Grenes Holding ApS

Mariane Thomsens Gade 1 C, 5.
8000 Aarhus C
Central Business Registration No 35140328

Annual report 01.05.2019 - 30.04.2020

The Annual General Meeting adopted the annual report on 22.12.2020

Chairman of the General Meeting

Name: Lasse Skaarup Christensen

Contents

Entity details

Entity
Søstrene Grenes Holding ApS
Mariane Thomsens Gade 1 C, 5.
8000 Aarhus C

Central Business Registration No (CVR): 35140328
Founded: 01.03.2013
Registered in: Aarhus
Financial year: 01.05.2019 - 30.04.2020

Website: www.sostrenegrene.com

Board of Directors
Lasse Skaarup Christensen, chairman
Cresten Vaupell Grene
Mikkel Vaupell Grene
Inger Grene
Kurt Hedegaard Carstensen

Executive Board
Mikkel Vaupell Grene
Cresten Vaupell Grene

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Søstrene Grenes Holding ApS for the financial year 01.05.2019 - 30.04.2020.

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 30.04.2020 and of the results of its operations and cash flows for the financial year 01.05.2019 - 30.04.2020.

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, 22.12.2020

Executive Board

Mikkel Vaupell Grene	Cresten Vaupell Grene

Board of Directors

Lasse Skaarup Christensen chairman	Cresten Vaupell Grene	Mikkel Vaupell Grene
Inger Grene	Kurt Hedegaard Carstensen	

Independent auditor's report

To the shareholders of Søstrene Grenes Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Søstrene Grenes Holding ApS for the financial year 01.05.2019 - 30.04.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.04.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2019 - 30.04.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain 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 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 22.12.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen
State Authorised Public Accountant
Identification No (MNE) mne31482

Mads Fauerskov
State Authorised Public Accountant
Identification No (MNE) mne35428

Management commentary

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000
Financial highlights					
Key figures					
Revenue	1,049,277	1,127,612	893,653	613,748	438,936
Gross profit/loss	263,018	352,074	311,480	178,795	127,521
Operating profit/loss	(52,847)	68,895	110,944	46,109	49,477
Net financials	(4,476)	(19,449)	(8,144)	(3,756)	(2,310)
Profit/loss for the year	(59,377)	31,126	77,540	32,264	35,332
Profit/loss for the year excl minority interests	(43,640)	36,628	77,815	31,836	34,825
Total assets	761,892	771,794	583,251	465,461	315,487
Investments in property, plant and equipment	29,369	107,552	116,773	133,031	17,384
Equity	209,792	273,452	248,888	171,647	147,639
Equity excl minority interests	220,002	267,559	238,367	162,309	142,165
Cash flows from (used in) operating activities	30,088	(26,240)	29,420	54,795	54,361
Cash flows from (used in) investing activities	(43,276)	(111,184)	(67,156)	(140,241)	(21,007)
Cash flows from (used in) financing activities	(4,613)	35,194	85,860	(25,473)	15,811
Ratios					
Gross margin (%)	25.1	31.2	34.9	29.1	29.1
Net margin (%)	(5.7)	2.8	8.7	5.3	8.0
Return on equity (%)	(17.9)	14.5	38.8	20.9	30.1
Equity ratio (%)	28.4	34.5	42.7	36.9	46.8

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	Gross profit/loss x 100 / Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on equity (%)	Profit/loss for the year excl minority interests x 100 / Average equity excl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity incl. minority interests x 100 / Total assest	The financial strength of the Entity

Management commentary

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 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 offices in Aarhus, Denmark, where it all began with the first store opening.

Welcome to Anna and Clara´s wonderful world.

www.sostrenegrene.com

Aarhus, December 2020,

Cresten & Mikkel Vaupell Grene

Management commentary

Primary activities
Søstrene Grene is a family owned and operated group of companies with strong, positive values and a unique culture. The family ownership makes it possible to think and operate Søstrene Grene with a sound and long-term perspective, constantly innovating the concept and products, respecting the history and values of Søstrene Grene dating back to the very beginning in 1973.

Søstrene Grenes Holding ApS is the holding company that gathers the companies related to the Søstrene Grene business owned by Cresten Grene and Mikkel Grene.

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

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

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

As a consequence of lower than expected performance it has been decided to shut down the activities in Japan and Spain. This has no material impact on the annual report.

Søstrene Grene is a very strong brand with more than 3.8 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 experienced a very positive trend with very positive response from customers in all markets. The financial year 2019/20 was a year with a performance that leveled out more than expected, and initiated changes in the strategy of the company. The focus moved from expansion with physical stores to consolidation of existing markets and the implementation of a brand new omnichannel based business model. Also, several investments and activities were initiated to accelerate the digital transformation in general. A completely new homepage with a web shop has been developed and implemented. The web shop started end of March and was available for customers in Denmark during the last month of the financial year. It was a success, and the web shop is gradually being faced into other markets during the coming years. Also, strong efforts have been put into strengthening the CSR efforts as wells as and cost savings initiatives.

The Covid-19 pandemic lead to a temporary closing of stores in all markets which has impacted the financial result significantly.

Revenue for the year has decreased from DKK 1,127m to DKK 1,049m. Before the shutdown due to Covid-19 revenue compared to last year was increasing

Management commentary

The income statement for the financial year ending 30 April 2020 shows a gross profit decreasing from DKK 352m to DKK 261m. The profit before tax shows a decrease from DKK 49m to DKK -59m. The decrease is a result of losses due to the covied19 related restrictions and lockdowns, increased costs in the head office and in joint venture companies due to expansion in none mature markets, cost related to digitalising of the company, starting the webshop, changing the strategic focus to create the foundation for future growth and development.

Currently subsidiaries are established in Germany (both fully owned and partly owned), Holland and France (both fully owned and partly owned), Ireland (partly owned), UK (partly owned) and Japan (associated).

Operating income shows a loss of DKK 55m. The Operating profit 2018/19 was DKK 69m

The balance sheet shows equity of DKK 205m (30 April 2019: DKK 273m) and cash flow from operating activities amounts to DKK 30m.

However, the Covid-19 pandemic has created an unpredictable business situation and an adequate amount of liquidity has been secured by establishing increased lines of credit with the bank and EKF. The new established creditlines supports the future of the business, and we expect an improved cashflow.

Unusual circumstances affecting recognition and measurement
The shut down due to Covid-19 has impacted the result negatively due to store shut down and hence missing revenue and profit.

Outlook
Søstrene Grene has established a strong position in several attractive retail markets with a very large potential and the ambition is to continue the expansion of new stores in these areas as well adding new revenue streams and services with a new omnichannel business model and a major digital transformation of the business.

The expectations for the financial year were growth in revenue with 9 - 20% to 1.200-1.300m. Financial year 2019/20 has realized a decrease in Revenue of DKK 78m, or 7%. This decrease is for the main part related to the Covid-19 shut down. Earnings before tax for the year is down by DKK 108m. This is a disappointing result, and due to Covid-19 shutdown, increased costs in head office and lower than expected performance in nonmature markets.

The growth rate in numbers of stores are expected to slow down and focus will be to consolidate the existing markets. A few shops are expected to shut down, and we also expect some openings. It is expected that the new openings will consolidate the existing markets within the financial year 2021/22.

The strategy is to develop an even stronger culture, even more relevant and unique products, even more inviting and differentiating retail experience, new business channels, further digitalisation of the business and increased focus on sustainability as well as other efforts to even strengthen the position of the Søstrene Grene brand is expected to fuel a continuously strong growth in the future.

Management commentary

A positive trend in revenue is expected in the financial year 2020/21. The Management expects revenue to grow within 20 to 30% to approximately DKK 1,250m to DKK 1,350m. This will be depending on how the Covid-19 pandemic evolves. The first 7 months of 2020/21 is ahead of 2019/20 by 9%

Earnings before tax for the year 2020/21 is expected to be DKK 60m to DKK 80m which is in line with some of the best financial results historically in the company. Further investments in organizational resources and a new IT infrastructure for the new 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. See a further explanation under events after the balance sheet date.

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 prioritized and a natural part of the way Søstrene Grene runs its business. For further regarding the business model see the section on primary activities above.

Søstrene Grene's CSR engagement is defined in "Søstrene Grene's Responsibility Report 2019/20 that can be found on our webpage.

The engagement is primarily focused on four areas being Products, Suppliers, Environment and Society, with policies defined for each of the areas.

Society

Management commentary

At Søstrene Grene, we believe that supporting charity initiatives to aid vulnerable groups helps create a more sustainable future – not only for the communities we support, but for the entire global community. By entering partnerships with credible and well-established partners, we reduce the risk of not succeeding in our efforts and in creating mistrust about our efforts.

PARTNERSHIP WITH PLAN INTERNATIONAL
Søstrene Grene has entered a partnership with Plan International in order to support their work towards achieving UN Sustainable Development Goal 5: Gender equality. In many parts of the world, girls and boys do not have the same opportunities and conditions in life. That is why we support Plan International's efforts to promote girls' rights, so that more can attend school and receive an education.

WATER BOTTLE PROJECT
As part of the partnership between Søstrene Grene and Plan International, we are launching a major water bottle project, which has already been rolled out in all Søstrene Grene's markets, except Norway and Denmark. When our customers buy the water, they are contributing € 0.1 per bottle to support girls' education in Eastern Africa. The Plan International water will also be launched on the Danish and Norwegian markets in late 2020. The plastic bottles will be made of 100% recycled plastic in all markets.

SISTER WEEK – WEEK 41, 2019
In week 41 of 2019, we put extra focus on girls' rights under the slogan, 'When sisters support each other, great things happen'. At Søstrene Grene, we believe the world can become a better and more equal place if we all act as sisters towards each other.

To this end, we launched a specially designed shopping bag, with part of the profits from sales going towards Plan International's fight for gender equality. For each bag sold, € 0.67 went towards the good cause. All sisters in Søstrene Grene's stores around the world also wore a badge with the caption 'When sisters support each other, great things happen' throughout week 41. We sold a total of 28,200 bags in 2019/20 (up to week 35 2020).

GIRLS' PRIZE 2019
To draw attention to girls' rights, Plan International awards a Danish Girls' Prize (Pigeprisen) on the International Day of the Girl on 11 October each year. The prize is awarded to a person, organisation or company that is making an extraordinary effort to advance girls' rights and gender equality. As part of our partnership with Plan International, we decided to sponsor the DKK 25,000 that was awarded with the Girls' Prize in 2019. The prize was awarded to Anja Leighton, who has put rape culture and sexist power structures among young people on the agenda through her participation in social debate.

Anja Leighton was presented with the prize at an event held at Gasværksvejens Skole in Copenhagen. Prior to the award, HRH Crown Princess Mary gave a speech to the school's oldest pupils, along with 14-year-old Farzana from Bangladesh, on the importance of ensuring girls' right to attend school.

PARTNERSHIP WITH THE RED CROSS
Søstrene Grene has been in partnership with the Red Cross since 2013 in relation to the sale of drinking water in Søstrene Grene stores in Denmark and Norway. The Red Cross has used the funds from the sale of the bottles to help vulnerable children and families in Denmark and in hot spots around the world.

Management commentary

SOS CHILDREN'S VILLAGES
Søstrene Grene has also worked closely with SOS Children's Villages over the years, through which we sponsor four children:

- Ali Khamis from Zanzibar
- James Wilson from Dar es Salaam
- Ida Ayu from Bali
- Aailyah from Dar es Salaam

ACHIEVED
In 2019, we donated DKK 500,000 to the Danish Red Cross through the sale of water bottles. In 2019, we donated DKK 425,000 to Plan International, and in 2020 we are donating DKK 500,000. The donation is partly financed through the sale of water boxes and shopping bags, with part of the proceeds going towards the donation.

AIM
Together with our great partners, we want to create value and sustainable solutions for our society. We are therefore continuously aiming to contribute to putting focus on important areas through various initiatives. We also have the specific aim of extending our partner- ship with Plan International, and increasing the donation amount over the years ahead by launching more products for which part of the proceeds go towards supporting Plan International's important work.

Responsible Sourcing Strategy

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 recognize 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 400 suppliers. The requirements refer to human rights, labour rights, working environment, environmental protection etc.

We have for many years conducted control visits, through our supplier management system at the factories on an ongoing basis to ensure that they comply with all requirements.

In addition to this, Søstrene Grene decided in 2019 to become an active member of the amfori Business Social Compliance Initiative (amfori BSCI), a leading international supplier management system.

Management commentary

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 joining 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 recognized supplier management systems (such as Sedex/Smeta).

This year, 50% 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 set-up 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.

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 fiscal year.

Employee

Management commentary

We wish to touch people's hearts through a wonderful universe of which the world has never seen the like, and we believe that our business and our results depend on the Sisters surrounding us. Therefore, our partnership with our franchisees and suppliers as well as the relationship with our employees are crucial to our success.
In Søstrene Grene we call each other Sisters – regardless of gender. Our culture and our way of being together are called our Sister spirit.

Sister spirit
We want to build a valuable community where work does not feel like work. A community that creates the foundation of the wonderful world of Anna and Clara. We are Sisters. We stick together and support and help each other. We make each other stronger; we take responsibility and are always ready to lead and show the way for others.
We value the good and sound Sister virtues of respect, trust and honesty, and we want to treat everyone in accordance with our values.

Culture measurement
Every year, we carry out a culture survey where we also measure the degree of compliance with our Sister spirit, values and ambition. Moreover, we examine how our employees experience our business, products, processes and management etc.
The culture survey is carried out and followed up with specific actions.
After the culture measurement, managers are trained in the focus areas identified so that they can make an effort to improve conditions.

A healthy and attractive workplace
To ensure that we have the workplace we want and reduce the risks related to employee matters such as stress on the job, an unhealthy work environment, lack of motivation and development etc. we have developed and optimised the following during the year:

- A thorough recruitment process where we have internal resources and competencies to recruit the right employees.
- Optimal onboarding of all employees with the introduction of New Sisters Day, where new employees meet managers from all departments, and responsibilities and value chain are explained.
- Competent management where we focus on the development of each employee and contributions to the Sister spirit through culture measurement, my goals and my growth conversations.
- Collaboration and cross-organisational knowledge sharing by ensuring cross-organisational involvement in projects and development tasks.
- Healthy and safe working conditions. We have designated traffic routes in the warehouse for forklift trucks and walkways for employees. All forklift trucks have lights and audible alarms to ensure safe traffic in the warehouse. In the office, our open-plan offices are optimally designed with anatomically designed workplaces.

Management commentary

- Flexibility and influence on own work situation are part of the Sister spirit and documented in the culture survey which received a high score on these particular parameters.
- An improved health insurance plan providing employee with security and health insurance with both preventive and therapeutic coverage and improved insurance.

Every day, we work to become more skilled, and this year's efforts have produced the following results in employee conditions:

- Reorganisation of our working environment organisation and its work
- Talent development enabling us to attract and develop the right skills
- Optimisation of internal work processes
- International HR collaboration
- Fewer leaders and more cross-collaboration

Climate and Environmental Strategy

Søstrene Grene has a climate and environmental footprint throughout the value chain. It is our goal to 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. To minimise the risk of our environmental impact, we have taken regular action and reduced our CO2 footprint in the following areas:

- Product packaging
- Transport packaging
- Packaging for e-commerce

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.

WATER BOTTLES MADE OF RECYCLED PLASTIC

Søstrene Grene is launching water bottles made of 100% recycled polyethylene plastic in autumn 2020, in cooperation with Plan International.

PAPER BAGS IN STORE

Management commentary

Søstrene Grene has been using paper bags for customers to carry their purchases in since 1973. In 2019, the paper bags were FSC®-certified as a step toward our goals. We have also replaced our single-use plastic bags for candied sugar with FSC®-certified paper bags in all our stores. Our aim in 2021 is for our self-serve tea leaf bags in stores to be FSC®-certified.

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.

PACKAGING FOR E-COMMERCE
As part of our strategy to minimise single-use plastic, we decided in 2019 that no single- use plastic should be used for shipping our e-commerce products. All cardboard boxes used for shipment are FSC®-certified. It is also our aim that all paper/ wrapping used to protect products must be FSC®-certified by mid-2021.

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

- The power used at Søstrene Grene's ware- houses in Årslev and Viby near Aarhus is purchased as 100% wind energy.
- LED lighting is used at Søstrene Grene's logistics centre at Årslev, and in many of Søstrene Grene's stores. We also aim to replace all light sources in the e-commerce warehouse in Viby with LED lighting.

TRANSPORT BY SEA
We work in partnership with Maersk, which has several environmental initiatives underway in their future strategy, including:

- The stated goal of achieving CO_2 neutral shipping by 2050, with two sub-goals set in 2018 and 2030.
- Reduction in the CO_2 emissions for a container by 41% from 2008-2018, and by 60% in 2030.
- The aim of being able to build container ships by 2030 which do not run on fuel oil, but on alternative energy sources.
- As a regulatory requirement, we pay the IMO 2020 surcharge, which means that all ships must reduce sulphur oxide emissions by 85%. The new limit values for sulphur oxide are expected to have a significant positive effect on the climate.

TRANSPORT BY ROAD
TESTING ELECTRIC TRUCKS FOR DELIVERY

Management commentary

In 2019/20 we tested eco-friendly delivery by electric truck from our logistics centre to two of our stores in Aarhus. We are exploring similar solutions elsewhere in Europe, so that we can help reduce carbon emissions in cities.

PART OF DHL’S GOGREEN PROGRAMME

We are also part of DHL’s GoGreen programme. The pro- gramme focuses on green transport solutions, sustainable supply chain management and a general reduction in carbon emissions. DHL aims to reduce all logistics-related emissions to zero by 2050. Some of their sub-goals for 2025 are to:

- Increase their carbon efficiency by 50% compared to the 2007 level.
- Reduce local air pollution emissions by operating 70% of their own first and last mile services using delivery solutions such as bicycles and electric vehicles.

All Søstrene Grene e-commerce packages shipped abroad carry a GoGreen label, showing that they are on a more sustainable journey with DHL.

Statutory report on the underrepresented gender

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

The supreme governing body of Søstrene Grenes Holding ApS is composed of four male and one female board members. By the end of 2022, Søstrene Grenes Holding ApS will seek to obtain a ratio of at least 40:60% of the underrepresented gender. This is to be effected through internal as well as external recruitment if there are relevant candidates. This is also the ambition for the other management bodies in the group. Here the split is currently 72:28% including the two owners

There is a tendency towards a stronger overrepresentation of women in the retail business as store managers. The European subsidiaries established as joint venture entities are mainly managed by a married couple.

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.

Events after the balance sheet date

We have seen a positive development in the customer behaviour and are still experiencing developments in the markets due to Covid-19, that makes it difficult to make predictions. Recent shutdowns will have a negative impact on sales, but we have seen from the past, that reopening’s on the other hand leads to increased sales. The net effect will depend on the length of the shutdowns and time of reopening’s, but it is uncertain at the moment.

Management commentary

In the Danish and Swedish market new partly owned subsidiaries have been established with previous Franchise partners. The new partly owned subsidiaries are established from January 2021 and the signing of the purchase agreement of the franchise partners was in December 2020.

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

Consolidated income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Revenue	2	1,049,277	1,127,612
Other operating income		8,554	20,720
Cost of sales		(521,760)	(549,140)
Other external expenses	3	(273,053)	(247,118)
Gross profit/loss		**263,018**	**352,074**
Staff costs	4	(269,672)	(249,480)
Depreciation, amortisation and impairment losses	5	(42,872)	(31,106)
Other operating expenses		(3,321)	(2,593)
Operating profit/loss		**(52,847)**	**68,895**
Income from investments in associates		0	(4,074)
Other financial income	6	1,024	2,764
Impairment losses on financial assets		(1,036)	(11,755)
Other financial expenses	7	(4,464)	(6,384)
Profit/loss before tax		**(57,323)**	**49,446**
Tax on profit/loss for the year	8	(2,054)	(18,320)
Profit/loss for the year	9	**(59,377)**	**31,126**

Consolidated balance sheet at 30.04.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Acquired intangible assets		27,939	13,460
Intangible assets	10	**27,939**	**13,460**
Land and buildings		277,843	270,820
Other fixtures and fittings, tools and equipment		61,727	71,436
Leasehold improvements		78,132	82,196
Property, plant and equipment	11	**417,702**	**424,452**
Investments in associates		0	0
Receivables from associates		0	1
Deposits		16,732	18,376
Other receivables		13,006	3,646
Fixed asset investments	12	**29,738**	**22,023**
Fixed assets		**475,379**	**459,935**
Manufactured goods and goods for resale		191,800	184,852
Prepayments for goods		4,516	9,397
Inventories		**196,316**	**194,249**
Trade receivables		52,034	81,992
Other receivables		9,155	11,741
Prepayments	14	6,689	5,654
Receivables		**67,878**	**99,387**
Cash		**22,319**	**18,223**
Current assets		**286,513**	**311,859**
Assets		**761,892**	**771,794**

Consolidated balance sheet at 30.04.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		80	80
Revaluation reserve		38,742	36,154
Retained earnings		181,180	223,325
Proposed dividend		0	8,000
Equity attributable to the Parent's owners		**220,002**	**267,559**
Share of equity attributable to minority interests		**(10,210)**	**5,893**
Equity		**209,792**	**273,452**
Deferred tax	15	6,725	17,413
Provisions for investments in associates	16	3,585	3,585
Provisions		**10,310**	**20,998**
Mortgage debt		122,762	131,732
Bank loans		56,341	30,979
Finance lease liabilities		19,286	21,066
Convertible and dividend-yielding debt instruments		0	1,365
Deposits		70	15
Other payables		6,461	0
Non-current liabilities other than provisions	17	**204,920**	**185,157**

Consolidated balance sheet at 30.04.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Current portion of long-term liabilities other than provisions	17	28,356	20,377
Bank loans		151,409	129,512
Convertible and dividend-yielding debt instruments		5,495	5,306
Trade payables		103,319	77,909
Payables to associates		8,952	0
Income tax payable		6,818	16,984
Other payables		32,521	42,099
Current liabilities other than provisions		**336,870**	**292,187**
Liabilities other than provisions		**541,790**	**477,344**
Equity and liabilities		**761,892**	**771,794**

Events after the balance sheet date	1
Associates	13
Financial instruments	19
Unrecognised rental and lease commitments	20
Contingent liabilities	21
Assets charged and collateral	22
Transactions with related parties	23
Subsidiaries	24

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Revaluation reserve DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	80	36,154	223,325	8,000
Ordinary dividend paid	0	0	0	(8,000)
Exchange rate adjustments	0	0	(1,236)	0
Fair value adjustments of hedging instruments	0	0	2,819	0
Other entries on equity	0	4,000	0	0
Tax of entries on equity	0	(880)	(620)	0
Transfer to reserves	0	(532)	532	0
Profit/loss for the year	0	0	(43,640)	0
Equity end of year	**80**	**38,742**	**181,180**	**0**

	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	5,892	273,451
Ordinary dividend paid	0	(8,000)
Exchange rate adjustments	(365)	(1,601)
Fair value adjustments of hedging instruments	0	2,819
Other entries on equity	0	4,000
Tax of entries on equity	0	(1,500)
Transfer to reserves	0	0
Profit/loss for the year	(15,737)	(59,377)
Equity end of year	**(10,210)**	**209,792**

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		(54,444)	68,894
Amortisation, depreciation and impairment losses		42,872	31,106
Working capital changes	18	67,454	(103,863)
Cash flow from ordinary operating activities		**55,882**	**(3,863)**
Financial income received		1,024	2,764
Financial expenses paid		(4,464)	(6,384)
Income taxes refunded/(paid)		(22,354)	(18,757)
Cash flows from operating activities		**30,088**	**(26,240)**
Acquisition etc of intangible assets		(20,889)	(6,962)
Acquisition etc of property, plant and equipment		(29,369)	(107,208)
Sale of property, plant and equipment		3,649	2,986
Repayments received		3,333	0
Cash flows from investing activities		**(43,276)**	**(111,184)**
Loans raised		33,679	79,434
Repayments of loans etc		(18,594)	(34,240)
Dividend paid		(8,000)	(10,000)
Loans to associates and franchises		(11,698)	0
Cash flows from financing activities		**(4,613)**	**35,194**
Increase/decrease in cash and cash equivalents		**(17,801)**	**(102,230)**
Cash and cash equivalents beginning of year		(111,289)	(9,059)
Cash and cash equivalents end of year		**(129,090)**	**(111,289)**
Cash and cash equivalents at year-end are composed of:			
Cash		22,319	18,223
Short-term debt to banks		(151,409)	(129,512)
Cash and cash equivalents end of year		**(129,090)**	**(111,289)**

Notes to consolidated financial statements

1. Events after the balance sheet date

We have seen a positive development in the customer behaviour and are still experiencing developments in the markets due to Covid-19, that makes it difficult to make predictions. Recent shutdowns will have a negative impact on sales, but we have seen from the past, that reopening's on the other hand leads to increased sales. The net effect will depend on the length of the shutdowns and time of reopening's, but it is uncertain at the moment.

In the Danish and Swedish market new partly owned subsidiaries have been established with previous Franchise partners. The new partly owned subsidiaries are established from January 2021 and the signing of the purchase agreement of the franchise partners was in December 2020.

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

	2019/20 DKK'000	2018/19 DKK'000
2. Revenue		
DAC and Benelux	406,449	377,353
Nordic	374,671	442,581
Sourthern Europe	192,150	232,949
Other	76,007	74,729
	1,049,277	**1,127,612**

The Group's segments comprise business areas and geographical markets. Webshop is a part of Nordic.

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 and the Group's revenue by geographical area will be of considerable damage to the competitive situation.

	2019/20 DKK'000	2018/19 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	862	691
Tax services	78	94
Other services	571	85
	1,511	**870**

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
4. Staff costs		
Wages and salaries	216,673	201,390
Pension costs	14,564	12,950
Other social security costs	23,182	17,385
Other staff costs	15,253	17,755
	269,672	**249,480**
Average number of employees	**799**	**681**

	Remuneration of management 2019/20 DKK'000	Pension liabilities 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000	Pension liabilities 2018/19 DKK'000
Board of Directors	50	0	75	0
Total amount for management categories	5,306	453	8,652	377
	5,356	**453**	**8,727**	**377**

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

	2019/20 DKK'000	2018/19 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	6,410	4,730
Depreciation of property, plant and equipment	36,462	26,376
	42,872	**31,106**

	2019/20 DKK'000	2018/19 DKK'000
6. Other financial income		
Financial income from associates	0	1,735
Other interest income	104	1,029
Exchange rate adjustments	920	0
	1,024	**2,764**

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
7. Other financial expenses		
Financial expenses from associates	189	3,713
Other interest expenses	4,275	2,671
	4,464	**6,384**

	2019/20 DKK'000	2018/19 DKK'000
8. Tax on profit/loss for the year		
Current tax	9,520	19,790
Change in deferred tax	(10,948)	(1,470)
Adjustment concerning previous years	3,482	0
	2,054	**18,320**

	2019/20 DKK'000	2018/19 DKK'000
9. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	8,000
Retained earnings	(43,640)	28,628
Minority interests' share of profit/loss	(15,737)	(5,502)
	(59,377)	**31,126**

	Acquired intangible assets DKK'000
10. Intangible assets	
Cost beginning of year	25,707
Additions	20,889
Cost end of year	**46,596**
Amortisation and impairment losses beginning of year	(12,247)
Amortisation for the year	(6,410)
Amortisation and impairment losses end of year	**(18,657)**
Carrying amount end of year	**27,939**

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
11. Property, plant and equipment			
Cost beginning of year	236,443	100,579	100,178
Exchange rate adjustments	0	25	108
Additions	5,928	10,762	12,679
Disposals	0	(2,570)	(3,241)
Cost end of year	**242,371**	**108,796**	**109,724**
Revaluations beginning of year	50,900	0	0
Revaluations for the year	4,000	0	0
Revaluations end of year	**54,900**	**0**	**0**
Depreciation and impairment losses beginning of year	(16,523)	(29,143)	(17,982)
Exchange rate adjustments	0	(74)	(67)
Depreciation for the year	(2,905)	(19,205)	(14,352)
Reversal regarding disposals	0	1,353	809
Depreciation and impairment losses end of year	**(19,428)**	**(47,069)**	**(31,592)**
Carrying amount end of year	**277,843**	**61,727**	**78,132**
Recognised assets not owned by entity	**-**	**16,741**	**-**

The Company has divided its properties into two categories: "domicile and inventory properties" and "shop properties".

At 30.04.2020 domicile and inventory properties amount to DKK 210m, whereas shop properties amount to DKK 64m.

Please refer to accounting policies stating that the Group's shop properties are recognised at fair value.

Land and buildings (Shop properties) are continuously revalued to fair value, equal to the open market value of the property according to S. 41 of the Danish Financial Statements Act. Revaluations to fair value are recognised directly in equity under "revaluation reserve" with deduction of depreciation. An assessor´s valuation was obtained in 2019/20.

The revaluation after depreciation equals DKK 46m at the balance sheet date. Value without Revaluations equals DKK 17.8m

Notes to consolidated financial statements

	Investments in associates DKK'000	Receivables from associates DKK'000	Deposits DKK'000	Other receivables DKK'000
12. Fixed asset investments				
Cost beginning of year	489	11,756	18,376	3,646
Exchange rate adjustments	0	920	0	0
Additions	0	115	590	10,993
Disposals	0	0	(2,234)	(1,099)
Cost end of year	**489**	**12,791**	**16,732**	**13,540**
Impairment losses beginning of year	(489)	(11,755)	0	0
Impairment losses for the year	0	(1,036)	0	(534)
Impairment losses end of year	**(489)**	**(12,791)**	**0**	**(534)**
Carrying amount end of year	**0**	**0**	**16,732**	**13,006**

	Registered in	Equity inte-rest %
13. Associates		
Hilmer Japan Co. Ltd.	Japan	40.0

14. Prepayments

Prepayments recognised under assets include expenses incurred relating to subsequent financial years. Prepayments are measured at cost.

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
15. Deferred tax		
Intangible assets	6,147	2,961
Property, plant and equipment	14,214	22,082
Inventories	(5,417)	(3,031)
Receivables	(6,381)	(1,114)
Liabilities other than provisions	(805)	(3,485)
Tax losses carried forward	(1,033)	0
	6,725	**17,413**

Changes during the year	
Beginning of year	17,413
Recognised in the income statement	(11,568)
Recognised directly in equity	880
End of year	**6,725**

16. Provisions for investments in associates

The company has contractually guaranteed 40% of loan lent to Hilmer Japan Co. Ltd. in case Hilmer Japan Co. Ltd. before the settlement of the debt does not have the ability to defray its liabilities to lender. The carrying amount of the guarantee amounts to DKK 4m.

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000	Outstanding after 5 years DKK'000
17. Liabilities other than provisions				
Mortgage debt	21,384	14,289	122,762	106,071
Bank loans	2,150	2,150	56,341	2,150
Finance lease liabilities	4,822	3,938	19,286	3,907
Deposits	0	0	70	0
Other payables	0	0	6,461	N/A
	28,356	**20,377**	**204,920**	**112,128**

	2019/20 DKK'000	2018/19 DKK'000
18. Change in working capital		
Increase/decrease in inventories	(2,067)	(64,966)
Increase/decrease in receivables	31,393	(54,700)
Increase/decrease in trade payables etc	38,128	15,803
	67,454	**(103,863)**

Notes to consolidated financial statements

19. Financial instruments

Other receivables include a positive fair value of the forward exchange contracts of DKK 2,880k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD total 20,900k. The exchange profit has been set off against the value adjustments of the hedged payables in the Balance sheet. The forward exchange contracts have a term of 0-2 months. The forward exchange contracts have been entered into the Company's usual bank.

	2019/20 DKK'000	2018/19 DKK'000
20. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**525,165**	**589,065**

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 518m. The Company re-leases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 50m.

21. Contingent liabilities

The Group's bank has issued a bank guarantee of DKK 36m for leaseholds at the balance sheet date, payment guarantee to mortgage debt for DKK 35m as well as a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 1m. In addition, there is other guarantee for DKK 4m.

22. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 178m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 212m. The mortgage also comprises the plant and machinery deemed part of the property.

The Group has issued an all monies mortgage of DKK 10m as security for the subsidiary Ejendomsselskabet Søndergade 11-13 ApS debt to Sydbank.

23. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

Notes to consolidated financial statements

	Registered in	Corpo-rate form	Equity inte-rest %
24. Subsidiaries			
Søstrene Grenes Import A/S	Denmark	A/S	100.0
- Søstrene Grene Europe B.V.	Netherlands	B.V.	100.0
- Søstrene Grene Trading Shanghai Co, Ltd	Shanghai	Ltd	100.0
Søstrene Grene Deutschland GmbH	Germany	GmbH	100.0
- Hilmer Holding GmbH	Germany	GmbH	75.0
- Hilmer 1 GmbH	Germany	GmbH	100.0
- Hilmer 2 GmbH	Germany	GmbH	100.0
- Hilmer 3 GmbH	Germany	GmbH	100.0
- Hilmer 4 GmbH	Germany	GmbH	100.0
- Hilmer 5 GmbH	Germany	GmbH	100.0
- Hilmer 6 GmbH	Germany	GmbH	100.0
- Hilmer 7 GmbH	Germany	GmbH	100.0
- Hilmer Süd Holding GmbH	Germany	GmbH	75.0
- Hilmer Süd 1 GmbH	Germany	GmbH	100.0
- Hilmer Süd 2 GmbH	Germany	GmbH	100.0
- Hilmer Süd 3 GmbH	Germany	GmbH	100.0
- Hilmer Süd 4 GmbH	Germany	GmbH	100.0
- Hilmer Süd 5 GmbH	Germany	GmbH	100.0
- Hilmer West Holding GmbH	Germany	GmbH	75.0
- Hilmer West 1 GmbH	Germany	GmbH	100.0
- Hilmer West 2 GmbH	Germany	GmbH	100.0
- Hilmer West 3 GmbH	Germany	GmbH	100.0
- Hilmer West 4 GmbH	Germany	GmbH	100.0
- Hilmer West 5 GmbH	Germany	GmbH	100.0
SG Northern England Ltd.	England	Ltd.	50.0
- SG Victoria Nottingham Ltd.	England	Ltd.	100.0
- SG Chester Ltd.	England	Ltd.	100.0
- SG No. 3 Ltd.	England	Ltd.	100.0
- SG No. 4 Ltd.	England	Ltd.	100.0
S. Grene Operations Ireland Ltd.	Ireland	Ltd.	50.0
- S. Green Dún Laohaire Ltd.	Ireland	Ltd.	100.0
- S. Grene Dublin 1 Ltd.	Ireland	Ltd.	100.0
- S. Grene Cork 1 Ltd.	Ireland	Ltd.	100.0
- Hilmer R.T.I. 1 Ltd.	Ireland	Ltd.	100.0

Notes to consolidated financial statements

	Registered in	Corpo-rate form	Equity inte-rest %
24. Subsidiaries (continued)			
- Hilmer R.T.I. 2 Ltd.	Ireland	Ltd.	100.0
- Hilmer R.T.I. 3 Ltd.	Ireland	Ltd.	100.0
Hilmer Northern Ireland Holding Ltd.	Northern Ireland	Ltd.	50.0
- Hilmer Northern Ireland Ltd.	Northern Ireland	Ltd.	100.0
- Hilmer Newry Ltd.	Northern Ireland	Ltd.	100.0
- Hilmer Bangor Ltd.	Northern Ireland	Ltd.	100.0
Aarhus Retail B.V.	Netherlands	B.V.	50.0
- SG Retail Groningen B.V.	Netherlands	B.V.	100.0
- SG Retail Den Haag B.V.	Netherlands	B.V.	100.0
- SG Retail Nieuwendijk B.V.	Netherlands	B.V.	100.0
- SG Retail Zwolle B.V.	Netherlands	B.V.	100.0
- SG Retail Rotterdam B.V.	Netherlands	B.V.	100.0
- SG Retail Den Bosch B.V.	Netherlands	B.V.	100.0
- SG Retail Nijmegen B.V.	Netherlands	B.V.	100.0
- SG Retail Enschede B.V.	Netherlands	B.V.	100.0
- SG Retail Amersfoort B.V.	Netherlands	B.V.	100.0
- SG Retail Eindhoven B.V.	Netherlands	B.V.	100.0
- SG Retial Breda B.V.	Netherlands	B.V.	100.0
- SG Retail Utrecht HC B.V.	Netherlands	B.V.	100.0
- SG Retail Maastricht B.V	Netherlands	B.V.	100.0
- SG Retail Utrecht B.V.	Netherlands	B.V.	100.0
Søstrene Grene Holding France S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Holding France S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 1 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 2 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 3 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 4 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 5 S.A.R.L.	France	S.A.R.L.	100.0

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
24. Subsidiaries (continued)			
- Hilmer Retail 6 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 7 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Retail 8 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Vest France Holding S.A.R.L.	France	S.A.R.L.	50.0
- SGTF S.A.R.L.	France	S.A.R.L.	100.0
- SGBM S.A.R.L.	France	S.A.R.L.	100.0
- SGBA S.A.R.L.	France	S.A.R.L.	100.0
- SGPC S.A.R.L.	France	S.A.R.L.	100.0
- SGLM S.A.R.L.	France	S.A.R.L.	100.0
- SGPL S.A.R.L.	France	S.A.R.L.	100.0
- SGTC S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer East France Holding S.A.R.L.	France	S.A.R.L.	50.0
- SG Mulhouse Distribution S.A.R.L.	France	S.A.R.L.	100.0
- SG Rive Etoile Distribution S.A.R.L.	France	S.A.R.L.	100.0
- SG Saint Genies Laval Distribution S.A.R.L.	France	S.A.R.L.	100.0
- SG Besancon Distribution S.A.R.L.	France	S.A.R.L.	100.0
- SG Val Thoiry Distribution S.A.R.L.	France	S.A.R.L.	100.0

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
24. Subsidiaries (continued)			
- SG Annecy Distribution S.A.R.L.	France	S.A.R.L.	100.0
Ejendomsselskabet Søndergade 11-13 ApS	Denmark	ApS	100.0
Søstrene Grenes Handelskompagnie A/S*	Denmark	A/S	100.0

Companies with a 50% ownership interest are considered to be under considerable influence due to an ownership agreement with the minority shareholder.

*: Is merged with Søstrene Grenes Import A/S per. 01.05.2019.

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Other external expenses		(482)	(574)
Operating profit/loss		**(482)**	**(574)**
Income from investments in group enterprises		(42,233)	49,331
Income from investments in associates		0	(4,074)
Other financial income	1	4,179	3,082
Impairment losses on financial assets		(1,036)	(11,755)
Other financial expenses	2	(4,496)	(2,964)
Profit/loss before tax		**(44,068)**	**33,046**
Tax on profit/loss for the year	3	428	3,583
Profit/loss for the year	4	**(43,640)**	**36,629**

Parent balance sheet at 30.04.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Investments in group enterprises		301,480	323,784
Receivables from group enterprises		48,224	65,336
Investments in associates		0	0
Receivables from associates		1	1
Fixed asset investments	5	**349,705**	**389,121**
Fixed assets		**349,705**	**389,121**
Receivables from group enterprises		3,632	3,424
Deferred tax	6	3,910	3,482
Joint taxation contribution receivable		0	24,188
Receivables		**7,542**	**31,094**
Cash		**114**	**24**
Current assets		**7,656**	**31,118**
Assets		**357,361**	**420,239**

Parent balance sheet at 30.04.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		80	80
Reserve for net revaluation according to the equity method		242,821	247,101
Retained earnings		(22,899)	12,379
Proposed dividend		0	8,000
Equity		**220,002**	**267,560**
Provisions for investments in associates	7	3,585	3,585
Provisions		**3,585**	**3,585**
Trade payables		351	332
Payables to group enterprises		133,347	126,854
Income tax payable		76	21,908
Current liabilities other than provisions		**133,774**	**149,094**
Liabilities other than provisions		**133,774**	**149,094**
Equity and liabilities		**357,361**	**420,239**
Contingent liabilities	8		
Assets charged and collateral	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	80	247,101	12,379	8,000
Ordinary dividend paid	0	0	0	(8,000)
Exchange rate adjustments	0	0	(1)	0
Other entries on equity	0	4,083	0	0
Profit/loss for the year	0	(8,363)	(35,277)	0
Equity end of year	**80**	**242,821**	**(22,899)**	**0**

	Total DKK'000
Equity beginning of year	267,560
Ordinary dividend paid	(8,000)
Exchange rate adjustments	(1)
Other entries on equity	4,083
Profit/loss for the year	(43,640)
Equity end of year	**220,002**

Notes to parent financial statements

	2019/20 DKK'000	2018/19 DKK'000
1. Other financial income		
Financial income arising from group enterprises	4,179	2,311
Financial income from associates	0	771
	4,179	**3,082**

	2019/20 DKK'000	2018/19 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	4,585	2,958
Financial expenses from associates	2	(3)
Other interest expenses	16	7
Other financial expenses	(107)	2
	4,496	**2,964**

	2019/20 DKK'000	2018/19 DKK'000
3. Tax on profit/loss for the year		
Current tax	0	(101)
Change in deferred tax	(428)	(3,482)
	(428)	**(3,583)**

	2019/20 DKK'000	2018/19 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	8,000
Retained earnings	(43,640)	28,629
	(43,640)	**36,629**

Notes to parent financial statements

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000	Receivables from associates DKK'000
5. Fixed asset investments				
Cost beginning of year	58,683	65,336	489	11,756
Exchange rate adjustments	(23)	0	0	0
Transfers	0	18,074	0	0
Additions	0	16,684	0	1,037
Cost end of year	**58,660**	**100,094**	**489**	**12,793**
Revaluations beginning of year	265,101	0	0	0
Exchange rate adjustments	(20)	0	0	0
Adjustments on equity	4,177	0	0	0
Share of profit/loss for the year	(39,045)	0	0	0
Adjustment of intra-group profits	(3,188)	0	0	0
Dividend	(18,000)	0	0	0
Investments with negative equity value depreciated over receivables	33,796	(33,796)	0	0
Other adjustments	(1)	(18,074)	0	0
Revaluations end of year	**242,820**	**(51,870)**	**0**	**0**
Impairment losses beginning of year	0	0	(489)	(11,755)
Impairment losses for the year	0	0	0	(1,037)
Impairment losses end of year	**0**	**0**	**(489)**	**(12,792)**
Carrying amount end of year	**301,480**	**48,224**	**0**	**1**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Investments in associates comprise:					
Hilmer Japan Co. Ltd.	Japan	Ltd.	40.0	(46,013)	(21,410)

Notes to parent financial statements

Due to 40% ownership Hilmer Japan Co. Ltd. is considered a Associates investments.

6. Deferred tax

Deferred tax is a result of difference between accounting and tax valuation. The resulting amount is considered to give a tax deduction in the future.

7. Provisions for investments in associates

The company has contractually guaranteed 40% of loan lent to Hilme Japan Co. Ltd. In case Hilmer Japan Co. Ltd. before the settlement of the debt does not have the ability to defray its liabilities to lender. The carrying amount of the loan amounts to DKK 4m.

8. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

9. Assets charged and collateral

In relation to leaseholds used by the Group's franchisees the Company has issued a guarantee to the lessor totalling DKK 22m.

Collateral provided for group enterprises

Collateral securities provided for subsidiaries and group enterprises. As security for the subsidiaries' bank debt the parent has issued a guarantee to the subsidiaries' bank. The subsidiaries banks debt amounts to DKK 26m at balance sheet date.

The Company is liable for mortgage liabilities in Søstrene Grenes Import A/S, which total DKK 190m at the balance sheet date.

The Company has issued a guarantee to Hilmer R.T.I. 2 Ltd. totaling DKK 1,865k.

10. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements. Minority interests’ proportionate share of profit or loss is presented as a separate item in Management’s proposal for distribution of profit or loss, and their share of subsidiaries’ net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement 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.

Revenue is measured after elimination of intra-group trade.

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

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

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 write-downs of receivables recognised in current assets.

Accounting policies

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff. Received compensation from public authorities is deducted in the staff cost.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation 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.

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 internal profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Impairment losses on financial assets
Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as 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 all 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).

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc. comprise acquired intangible assets.

The cost of acquired intellectual rights comprises costs, including external fees and internal salaries that are directly and indirectly attributable to the intellectual property rights.

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, other fixtures and fittings, tools, equipment and leasehold improvements 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.

Property, plant and equipment in progress relate to the building of a new logistics centre. Property, plant and equipment in progress are measured at cost and written down to the lower of recoverable amount and carrying amount. Property, plant and in progress are not depreciated.

Properties

The Company has divided its properties into two categories: 1) domicile and inventory properties and 2) shop properties.

Domicile and inventory properties are recognised at cost with deduction of accumulated depreciation, whereas shop properties are recognised at fair value minus accumulated depreciation. The valuation is reviewed continuously by an independent assessor.

Shop properties are revalued to fair value on a continuous basis, equal to the fair value of the property in accordance with S. 41 of the Danish Financial Statements Act. Revaluation of fair value is recognised directly

Accounting policies

in equity under "Reserve for net revaluation according to the equity method in parent statement and under "Revaluation reserve" in the consolidated statement.

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.

Properties for sale are presented under current assets at the time properties are decided to be sold and relocated. Depreciation is also stopped at this time.

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.

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

Investments in associates
In the consolidated statement investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

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

In the parent statement investments in associates are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

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

Accounting policies

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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests
Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

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 or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carry forwards, 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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Accounting policies

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.

Finance lease liabilities
Lease commitments 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 commitments 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.

Income tax receivable or payable
Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, and purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank loans.