

Søstrene Grenes Holding ApS

Mariane Thomsens Gade 1 C, 5.
8000 Aarhus C
CVR No. 35140328

Annual report 01.05.2022 - 30.04.2023

The Annual General Meeting adopted the annual
report on 06.09.2023

Lasse Skaarup Christensen
Chairman of the General Meeting

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Entity details

Entity

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

Business Registration No.: 35140328
Registered office: Aarhus
Financial year: 01.05.2022 - 30.04.2023

Board of Directors

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

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 Grene Holding ApS for the financial year 01.05.2022 - 30.04.2023.

The annual report is presented 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 30.04.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.05.2022 - 30.04.2023.

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, 06.09.2023

Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

Board of Directors

Lasse Skaarup Christensen

Mikkel Vaupell Grene

Kurt Hedegaard Carstensen

Cresten Vaupell Grene

Karen Sofie Hansen-Hoeck

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 01.05.2022 - 30.04.2023, 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 30.04.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.05.2022 - 30.04.2023 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 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 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 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 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 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.

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, 06.09.2023

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

	2022/23	2021/22	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,795,138	1,688,984	1,215,897	1,049,277	1,127,612
Gross profit/loss	674,897	649,342	439,182	263,018	352,074
Operating profit/loss	179,974	207,447	56,332	(52,847)	68,895
Net financials	3,683	1,063	(6,032)	(4,476)	(19,449)
Profit before tax	183,657	208,510	50,300	(57,323)	49,445
Profit/loss for the year	142,545	164,963	34,393	(59,377)	31,126
Profit for the year excl. minority interests	139,558	154,788	30,280	(43,640)	36,628
Balance sheet total	896,620	869,874	748,107	761,892	771,794
Investments in property, plant and equipment	42,896	26,786	37,924	29,369	107,552
Equity	394,408	391,707	211,286	209,792	273,452
Equity excl. minority interests	389,130	382,658	212,412	220,002	267,559
Cash flows from operating activities	156,724	247,579	164,541	30,088	(26,240)
Cash flows from investing activities	(62,656)	(39,003)	(8,853)	(43,276)	(111,184)
Cash flows from financing activities	(147,059)	(86,858)	11,581	(4,613)	35,194
Ratios					
Gross margin (%)	37.59	38.45	36.12	25.07	31.22
Net margin (%)	7.94	9.77	2.83	(5.66)	2.76
Return on equity (%)	36.16	52.02	14.01	(17.90)	14.48
Equity ratio (%)	44.62	44.20	30.00	28.40	34.50

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

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

Return on equity (%):

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

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$

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, 6 September 2023

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.

Søstrene Grene 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 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 5.2 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 developed and refined the concept and assortment while expanding into new areas with a very positive response from customers in all markets. This financial year the revenue grew 6% to a new all time high of DKK 1,795m. The growth is on top of last years growth of 39%. We have gradually restarted the expansion strategy opening stores in the existing markets and the like for like stores are showing satisfying developments in the results. The digitalisation of the business model in Søstrene Grene has also continued. From a customer perspective this is seen in the Søstrene Grene App available as well as in the continued development of the webshop. Internally we are focusing on improving our value chain in several areas.

The result for the year is a lower than last years record result. Still the result is the second-best result in the history of Søstrene Grene and the management considers the result very satisfying.

Profit/loss for the year in relation to expected developments

Revenue for the year has increased from DKK 1,689m to DKK 1,795m, and it is the highest revenue in a year in the history of Søstrene Grene Holding ApS. The income statement for the financial year ending 30 April 2023 shows a gross profit increasing from DKK 649m to DKK 675m. The profit before tax shows a decrease from DKK 208m to DKK 184m. The decrease was expected due to a normalization of the result after last years very strong performance.

Currently subsidiaries are established in Denmark (fully owned and partly owned), Germany (partly owned), the Netherlands (fully owned), France (fully owned), Ireland (partly owned), UK (partly owned) and Sweden (partly owned).

Operating profit is DKK 180m compared to 2021/22 when operating profit was DKK 207m. This is the second best financial performance in the history of Søstrene Grene and is considered to be satisfactory.

The balance sheet shows an equity of DKK 394m (30 April 2022: DKK 392m) and a cash flow from operating activities amounting to DKK 186m compared to last year's DKK 273m.

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances in the year.

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 center 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. In the coming years, more than 100 new stores are expected to be opened around Europe.

The expectations for the financial year were a growth in revenue of 5 - 15% to DKK 1,750m – DKK 1,950m. The financial year 2022/23 has realised an increase in revenue of DKK 106m, or 6%. The increase is in the lower end of expectations and is considered satisfactory.

Management expects the revenue in 2023/24 to increase in the range of 11% to 20% to approximately DKK 2,000m to DKK 2,150m. The expectation is based on organic growth opening of new stores and expanding the webshop to new markets.

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 2023/24 are expected to be in the range of DKK 160m to DKK 180m. Further investments in organisational resources, a new IT infrastructure for the expanding omnichannel business and further digitalisation of the business are planned as well as increased efforts in marketing. 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 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 behavior, 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 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.

Double materiality assessment

From 1 January 2026 Søstrene Grene must make a corporate sustainability reporting (CSRD) according to the EU directive 2022/2464 of the European Parliament and of the Council.

Preparing for this future reporting, this year Søstrene Grene have performed a double materiality assessment with support from Deloitte Climate & Sustainability.

The double materiality assessment shall help us define and find the material topics with the ESG agenda which have the largest impact on our business and stakeholders.

The double materiality assessment must form the basis for Søstrene Grene's future strategic ESG work as well as compliance with the demands of the CSRD EU directive.

The double materiality assessment covers how Søstrene Grene's activities affect humans and the environment both negatively and positively (inside-out perspective) and how the activities affect Søstrene Grene's business and financial situation (outside-in perspective)

The process for the double materiality assessment has been carried out as follows:

- **Desktop review**
Review of strategy documents, existing policies and procedures related to Søstrene Grene's sustainability initiatives.
- **Interviews**
Facilitation of interviews with 12 selected key stakeholders at Søstrene Grene to identify material topics (i.e., risks and opportunities) for the business.
- **Assessment**
The identified material topics were hereafter assessed based on their individual impact materiality as well as financial impact.
- Deloitte furthermore qualified the identified material topics towards international reporting frameworks such as Global Reporting Initiative (GRI), MSCI, and SASB, Deloitte's in-depth knowledge of the sustainability field as well as the consumer and retail industry, and Søstrene Grene's peers. The methodology is also updated and in alignment with "EFRAG, European Sustainability Reporting Standards [Drafts] ESRS 1 General Provisions".
- **Workshop**
Facilitation of prioritization workshop with 11 internal stakeholders from Søstrene Grene to discuss and

prioritize each of the identified material topics.

Based on the output of the workshop – where three groups discussed, prioritized and validated the identified material topics – Søstrene Grene's materiality matrix has been consolidated.

We have chosen not to publish the results of the matrix as the associated ESRS standards to CSRD have not been finally decided within this financial year. Therefore, the double materiality assessment will be revisited in the next financial year of 2023/24 and made public with the annual report of that year.

In the coming financial year, we will work with the following CSRD preparations:

- Finalising the double materiality assessment
- Assessment of ESRS disclosure requirements and datapoints
- Gap-assessment (mapping of CSRD requirements against the findings in the double materiality assessment)
- Strategy and Governance setup.
- Action plan towards CSRD reporting financial year 25/26

In this financial year we have chosen to work with the ESG terms and describe the CSR work with the materiality topics we find relevant for this financial year.

Environment

GHG-emissions (climate account)

Søstrene Grene has a climate and environmental footprint throughout the value chain. It is our goal to minimize 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 of our carbon footprint. The objective was to calculate the total CO₂ emission for our entire value chain over a period of 4 years starting from 2018/19 until 2021/22.

Last year we published our first climate account in our responsibility report 21/22. Here we have mapped our carbon footprint in scope 1 and 2, and a large part of scope 3.

Below shows our climate account for CO₂e emissions with data from 2018/19 until this financial year 22/23 (in tCO₂e).

SØSTRENE GRENE'S CLIMATE ACCOUNT

	UNIT	2018/19	2019/20	2020/21	2021/22	2022/23
Economic intensity in relation to turnover	tCO ₂ e/mDKK	63	58	47	43	40
Total tCO₂e emissios	tCO ₂ e	98.563	88.204	77.418	85.797	90.689
Scope 1	tCO ₂ e	80	140	52	54	58
Scope 2	tCO ₂ e	154	137	121	152	165
Scope 3	tCO ₂ e	98.328	87.927	77.244	85.591	90.466
Biogenic contribution	%	N/A*	N/A*	N/A*	N/A*	≈ 3,8%
Scope 3 upstream						
1. Purchased goods and services	tCO ₂ e	82.862	72.855	62.516	68.275	67.962
2. Capital goods	tCO ₂ e	708	908	1.046	1.130	1367
3. Fuel- and energy-related activities (excl. Scope 1+2)	tCO ₂ e	20	25	15	16	6
4. Upstream transport and distribution	tCO ₂ e	3.116	2.362	2.516	3.276	3.316
5. Waste generated in operations	tCO ₂ e	3.227	2.640	2.802	3.140	6.604
6. Business travel	tCO ₂ e	612	554	80	336	602
7. Employee commuting	tCO ₂ e	-	-	-	115	309
8. Upstream leased activities assets	tCO ₂ e	419	412	395	400	459
Scope 3 downstream						
9. Downstream transportation and distribution	tCO ₂ e	43	47	491	784	1.952
10. Processing of sold products	tCO ₂ e	-	-	-	-	-
11. Use of sold products	tCO ₂ e	-	-	-	-	-
12. End-of-life treatment of sold products	tCO ₂ e	-	-	-	-	-
13. Downstream leased assets	tCO ₂ e	-	-	-	-	-
14. Franchises	tCO ₂ e	7.321	8.124	7.383	8.119	7.890
15. Investments	tCO ₂ e	-	-	-	-	-
Out of Scope**	tCO ₂ e	-340	-257	-273	-353	-345

* Not calculated, as the figures were compiled prior to recent refinements in the GHG protocol as well as technical method updates in the assessment tool, Simapro.

**Out of Scope activities are activities that have a negative impact but do not fall within any other category.

The climate account shows our total CO₂e emissions from our business and value chain calculated in line with the principles in the GHG Protocol which divide our climate emissions into our direct emissions (Scope 1), our indirect emissions (Scope 2) and our indirect emissions from our value chain (Scope 3).

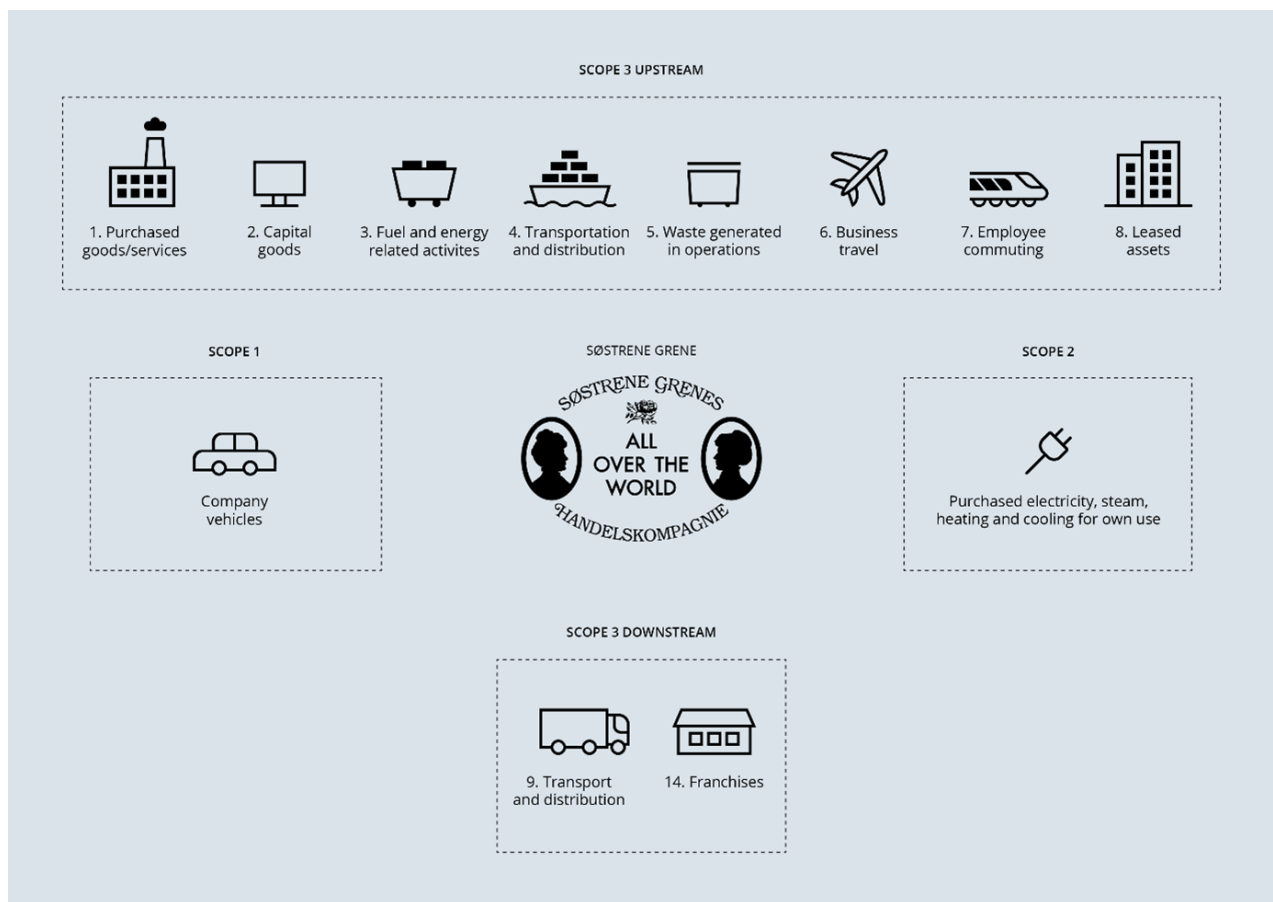
The climate account has been verified by the EnergySolution engineering and consulting firm.

Baseline

Søstrene Grene works with 2018/19 as a baseline year for our future activities to reduce our climate footprint.

Søstrene Grene's climate account covers our activities under Søstrene Grene A/S where Søstrene Grene's Import A/S handles all central activities such as purchase and distribution of our assortment. Our assortment is put on sale through our two primary sales channels: Søstrene Grene stores and our ecommerce channel.

Our climate emissions are divided in energies, as well as upstream and downstream activities. Upstream activities cover our indirect emissions in the value chain from the production phase up until the products reach our central warehouse. Downstream activities cover indirect emissions in the value chain from our central warehouse to our stores and online customers. We have also chosen to include the impact from our own stores and franchise and joint venture stores in our climate account. We want to take responsibility for all stores as they are part of Søstrene Grene regardless of ownership.



Climate account 2022/23

Søstrene Grene’s climate impact in 2022/23 was 90,689 tCO2e. This is higher than last year but a consequence of our growth and in some cases a question of methodology refinement. In fact, we actually see a decrease in our CO2 intensity as we, despite continued growth, manage to bring down our climate impact measured in relation to our increased turnover.

From our climate account, we can see that scope 1 and 2 are almost at the same level as last year. In the coming financial year, we will make reduction targets for scope 1 and 2 for the year 2030. We have already decided to install solar panels on the roof of our central warehouse in Aarslev. The installation should be ready for use mid-September 2023.

In the coming financial year, this alone will result in an absolute reduction of 10-15% on our electricity consumption in scope 2. In the coming years, we expect this to result in an annual absolute reduction of approx. 17% in scope 2 (electricity consumption). The reduction is subject to the condition that the supplier adheres to the agreed terms.

Søstrene Grene’s primary emissions are in scope 3, where the activities in relation to the production of our products (Scope 3.1 - purchased goods and services) make up for the largest CO2 emission measured in tCO2e. Despite growth in the past year, we are not seeing an increase in 3.1 as the emissions are at the same level as in the financial year 21/22.

In our climate account we see an increase in scope 3.5 (Waste generated in operations) of 3,464 tCO₂e compared to last financial year. This category includes activities/emissions in relation to transport packaging for our products. The increase is a result of the fact that the figures from the previous years have solely been based on average assumptions and financial values. In this financial year, transport materials have been registered with measurements and weight, and therefore, the emission figures are more precise and of better quality this financial year.

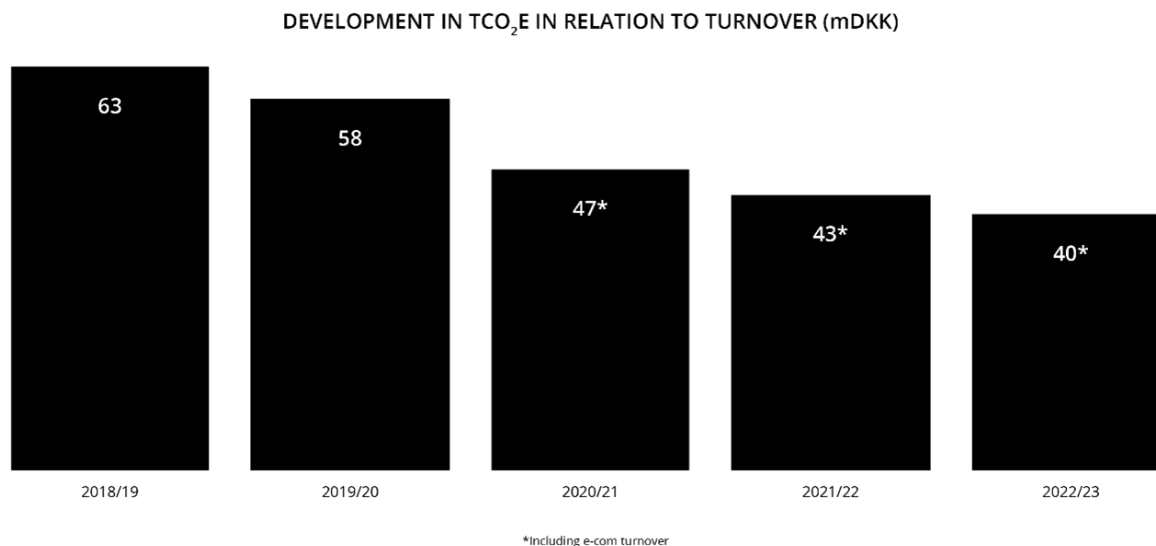
We also see an increase in 3.9 (Downstream transportation and distribution) of 1,168 tCO₂e. The increase can be attributed to a refinement in methodology, whereby we now also on the e-com side assume responsibility for a more substantial portion of the value chain.

We see a small decrease in CO₂ in 3.14 (Franchise). The reason for this lies in the fact that, for the preceding years, we have made average calculations of the stores' consumption of electricity, water, and heating, based on an average emissions factor for the country and the size of the store. In the current financial year, we have, for several markets, used the real figures of the stores' usage of heating, electricity, and water.

REDUCTION DESPITE GROWTH

From 2018/19 to 2022/23, we see a total CO₂ reduction of 8% while we have seen a 44% growth (including e-com turnover) in turnover during the same period. Despite continued growth, we have managed to reduce our climate impact during this period. This is evident in the chart showing our CO₂ intensity – our total CO₂ emissions in tonnes in relation to our total turnover in mDKK, see below.

Our CO₂ intensity was 63 tCO₂ /mDKK in 2018/19 and 40 tCO₂ /mDKK in 2022/23.



The total CO₂e reduction of 8% between 2018/19 and 22/23 is due to several of the initiatives we have launched over the years. For example, our focus on plastic and phasing out single-use plastic products. Since 2018/19, we have also been setting certification targets for textiles, plastics and wood/ paper. Some effects of this can already be seen in the figures, but in the coming years we will work on calculating the precise effect of these measures.

Ongoing work with our climate account

We will continue our intense work with our climate account in 2023/24. We need to define concrete objectives in relation to our climate ambitions. We must continue to refine and optimise our underlying data models, so they can give us even greater insight into our emissions. We are also in the process of mapping our footprint across all material groups. The aim is to gain insight into how and where we can reduce our footprint, for example by replacing some materials with others with a smaller footprint. It is our long-term ambition that the choices and investments we make are supported by the knowledge we gain about our impact on the climate.

Science Based Targets Initiative

To support our CO2 reduction aims, we chose to join the Science Based Targets initiative in 2022. The initiative controls the reduction targets we set as a company and monitors whether we reach our targets on time. The initiative also commits us to working towards the targets in the Paris Agreement. During autumn 2023, we will set specific objectives for our commitment to Science Based Targets and outline the actions we will take to ensure we achieve our goals.

Biodiversity

Biodiversity is one of the areas which Søstrene Grene will be working with in the years to come. Producing a large number of products, we have a great responsibility to protect the surrounding nature with its flora and wildlife.

Our FSC®-certified paper and wooden products provides a security that animal life and plant species are protected through responsible forest management. In FSC®-certified forests biodiversity and vulnerable species are protected.

In the years to come Søstrene Grene will look into other areas where we can work actively to help protect animals and plant life

Circular Economy

All over the world, more natural resources are being consumed than our planet can sustain, and all of them eventually end up as waste. In the future, we therefore need to use natural resources better and more responsibly and reduce the volumes of waste. This demands a more circular mindset in terms of how products are manufactured.

At Søstrene Grene, we want to support this. We have a big responsibility in this agenda, and the circular mindset must be the foundation of our design and procurement phase. We must strive to ensure that products and materials can be preserved in the cycle for as long as possible, so that as little waste as possible is generated.

Even when we design, produce and consume based on a circular mindset, waste will still arise. Søstrene Grene has a general goal of striving to prevent as much waste from being generated. However, waste will always arise, and it is therefore important to look at whether the waste can be reused or recycled. Only if this is not possible should the waste be utilized in other ways or disposed of responsibly. The waste hierarchy is therefore an important guide for us, and a tool we can use in our efforts to minimize waste. We will also strive to make it easier to sort products and materials when they cease to be used. The focus will therefore be on keeping materials as homogenous as possible, so it is possible to separate the materials when sorted after use.

In the past and the future, we therefore focus on reducing the number of single-use products. If we reduce the number of single-use products, we can minimize waste.

In 2020/21 we had a special focus on single-use plastic products. Based on the principle that all single-use plastic is unnecessary plastic, we at Søstrene Grene choose to phase out virtually all single-use plastic. But there will be some exceptions where there is no other alternative, such as tape.

This financial year we decided to start phasing out single-use tableware products made of paper/cardboard. These products just end up as waste as the materials cannot be recycled after use. All single-use tableware products have been phased out by 10 July 2023.

Certifications and labellings

Independent certifications and labelling schemes often support the circular mindset as many of these schemes set strict requirements for harmful chemicals, the environment, resources, social factors, recyclability, etc. It was our goal to further increase the number of products with independent certifications in 2021/22.

By the end of this financial year we have almost reached our certification goals for textiles, wood and paper, bath and care products and food items stated in our responsibility report 21/22. By the end of 2023 we will have reached below certification goals all textiles and wooden and paper products.

Goals achieved

Textiles

By the end of 2023, 100% of our textile products for children's rooms and bathrooms have an OEKO-TEX® or GOTS certification

By the end of 2023, 100% of all our textile products* are OEKO-TEX®, GRS- and/or GOTS-certified.

*) Except textiles for selected furniture and decorations

Wood and paper

By the end of 2023, 100% of our toys and children's products made of pure wood are FSC®-certified.

By the end of 2023, 100% of our furniture and kitchen products made of pure wood are FSC®-certified**

By the end of 2023, 100% of all our pure or partial wood/paper products are FSC®-certified.

***) Except for grass species such as rattan/bamboo/seagrass etc.

Bath and care products

100% of personal care products are of European origin and have a certification.

Food Items

25% of our food product range is certified (organic, Fairtrade or Rainforest Alliance)

Plastic products

Plastic must be used with care, and we have to minimise plastic waste for the sake of the climate and environment. It is therefore important that if we choose plastic for products, it must be plastic that can be used again and again, can be recycled, or has already been recycled. It is important when sorting waste that products consist of uniform types of plastic, so that the materials can be sorted correctly for recycling.

We have phased out most single-use plastic products and found alternative product types for many of them. We have a greater focus on multiple use of plastic products and, where possible, we use recycled plastic in our products.

In cases where plastics are the obvious material choice, we will continue to focus on ensuring these products can be used multiple times, that the plastic can be recycled, or that the plastic already has been fully or partially recycled.

Recycled plastic products

To reduce plastic consumption and make use of waste products, we have introduced products made from recycled plastic. Some of these products carry the GRS label. Global Recycled Standard (GRS) is an international certification system for products made from at least 20% recycled material. Only products with a minimum of 50% recycled material are permitted to carry the GRS logo. The standard ensures traceability throughout the supply chain and compliance with social and environmental requirements.

At Søstrene Grene, we work ambitiously to increase the amount of recycled material in our products. Since 2020 we have sold a number of products fully or partly made of GRS certified materials. This number is currently increasing.

In the beginning of this year we decided to work for our own GRS-certification, and in January we have the GRS-certification covering our own business. Getting a certification that covers our own business is an important step to strengthen our focus on the area. In practice, the certification entails that specific procedures have been created in the departments involved to comply with the requirements of GRS, and once a year we will be audited by the external auditor, Ecocert Greenlife.

Packaging

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.

E-com Packaging

Earlier on we used large amounts of paper to protect the products in our web parcels, so the products were not damaged during transportation. We have changed the packaging in our web parcels, so it now consists of a combination of FSC®-certified cardboard and paper as well as inflatable plastic made from 30% recycled plastic. In that way we reduce the packaging material by 72% - and obtain an annual CO₂ reduction of 70% on our web parcels.

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.

Social

Responsible Sourcing Strategy and Human Rights in our supply chain

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. 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. In this financial year, 80% of our suppliers outside the EU 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 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.

Extra guarantee of social responsibility in the supply chain

Some of the certifications and labels Søstrene Grene's products carry also encompass social responsibility, guaranteeing that the product is produced under proper conditions, with respect for people and the environment. The requirements set by these certification bodies are thus an extra guarantee, in addition to the audits performed by our third-party auditors, amfori BSCI, and via self-inspection.

GOTS

In addition to a large number of environmental requirements, GOTS sets social criteria that must be met by all manufacturers. These include safe and hygienic working conditions, set minimum wages and defined working hours. Any form of child or forced labour is also prohibited.

FSC®

FSC®'s basic workers' rights requirements have been extended, and in addition to forestry workers, they will apply to all FSC®-certified companies, from the sawmill to the timber wholesaler, the many trading companies, manufacturing companies and certified dealers, such that the whole chain is covered.

GRS

The GRS label guarantees that production of the recycled material has taken place under good working conditions, such as no forced labour, no child labour, the right to form unions, no discrimination and a focus on health and safety.

FAIRTRADE

The Fairtrade label seeks to ensure better wages and proper working conditions for the world's vulnerable farmers and workers. For example, there is a ban on child labour and there are safety equipment requirements and strict requirements for protection of the local environment, watercourses and biodiversity.

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.

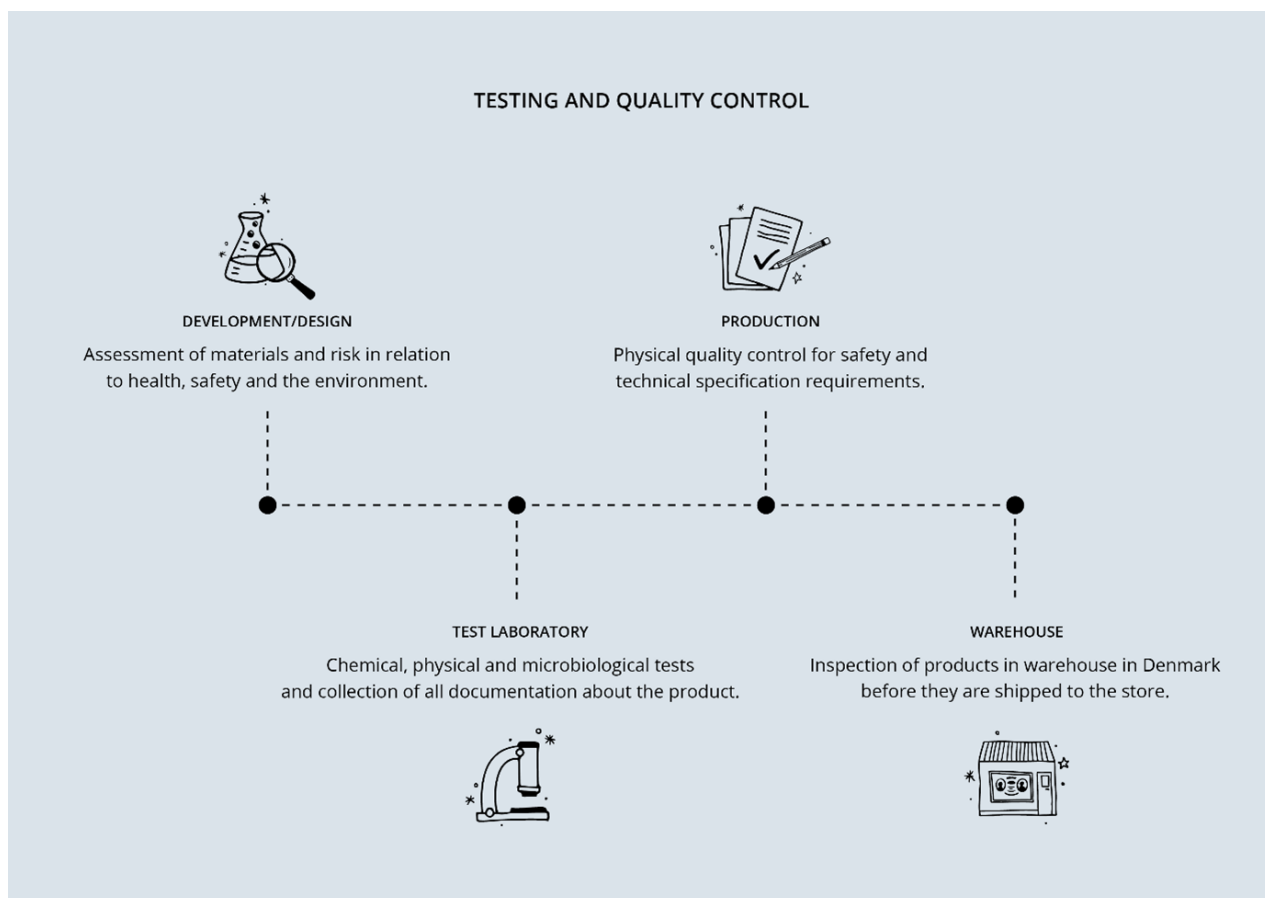
Product quality, safety and testing

At Søstrene Grene, the product is the entire focal point and the core of our business.

All Søstrene Grene’s products must meet our own internal requirements, as well as the regulatory health, safety, environment and quality requirements.

This is ensured in part through our close cooperation with our suppliers. We systematically test and monitor the content and materials of all products in cooperation with each supplier.

Besides this, the products undergo control before they are put up for sale in the physical store or online.



Harmful chemicals

We do not want harmful chemicals in our products. The day the materials become waste and may be recycled, they must be able to circulate freely without harmful impacts on people or the environment.

It is important to us to monitor developments in relation to chemicals, so that we always stay one step ahead of legislation. This applies not only in Denmark, but in all countries where we sell our products. The strictest law in a country forms the basis of our requirements.

Own workforce at HQ office

Health & Safety

Guidelines for presence and absence

It is important for Søstrene Grene to have highly motivated and happy employees, because we believe this is what leads to the amazing customer experience that is our vision.

In the beginning of 2023, we formulated guidelines for presence and absence to enhance well-being and to prevent absence. The guidelines will help establish a sense of security, so everyone knows how we prevent sickness absence, handle absence and are in contact with employees when illness occurs. They apply for all employees, and the goal is to ensure the wellbeing of our employees and make sure that if illness should occur, we will support the employee in a safe recovery.

Along with the guidelines on how we handle the specific illness, there are also several specific tools for working towards better mental health and preventing distress. All employees, both managers and staff, have been introduced to these tools and our guidelines. The guidelines should also make it clear to individuals where they can seek help if they are not thriving. For example, they can access services through external advisors such as health counsellors and stress coaches, who are ready to assist and advise.

Our managers have also received training in conducting sensitive conversations through ongoing leadership network meetings, where we equip them with specific tools for effective people management.

Our goals for absence related to illness

We are also working diligently to reduce illness absence, especially at our two warehouse locations. We measure our illness absence rate excluding long-term illness.

As of 1 June 2023, we have an illness absence of 7.51 % at our e-commerce warehouse and 3.8 % at our wholesale warehouse.

The goal for Q1 2024 is to get the rates down to respectively 5 % on our e-commerce warehouse and 2.5 % on our wholesale warehouse.

Ergonomics and physiotherapy

In 2022 the working environment organisation and People & Culture department initiated a focus on health and especially ergonomics. This has resulted in that every time a new Sister starts at Søstrene Grene, an ergonomics ambassador helps them with setting up their workstation in an ergonomically correct way.

In addition, there is the possibility to utilise our in-house massage programme every week, where different locations receive visits from a physiotherapist who offers treatment.

Both office employees and warehouse staff contribute to creating an even healthier work environment.

Employee Engagement

We do a survey of our culture every other year, including the degree to which our Sister Spirit, values and Ambition are being lived out. We also investigate how our employees perceive their well-being and teamwork, and our processes and management etc. The cultural survey is conducted and followed up, and concrete actions are initiated. Following each survey, managers are trained in the focus areas that have been identified, so they can take steps to improve conditions. The culture survey in 2022 saw our best results ever. It shows that, despite corona lockdowns, we have a strong team spirit, clear leadership and skilled teams that work really well together.

We will conduct another culture measurement in 2024, aiming to maintain the positive results achieved in 2022.

Leadership principles

We have in 2022 defined our leadership principles for good leadership at Søstrene Grene. Together, we created a common language for what we perceive as the leadership task and good leadership behaviour.

We defined the principles through an inclusive process involving interviews with multiple managers and selected employees. Afterwards all managers were gathered for a seminar where all contributed with inputs and together agreed on what makes good leadership at Søstrene Grene.

In the second quarter of 2023 we have accomplished a 360 degree leader feedback. The feedback is based on the principles that we have collectively agreed upon as being good leadership. Through the 360 degree feedback, our intention was to provide each manager with the opportunity to develop their leadership skills through responses from employees, fellow managers, and their own manager. The feedback focuses on how they work towards creating Direction, Coherence, and Commitment in an Orderly, Decisive, and Curious manner.



Interns and student assistants

We employ many interns and students at Søstrene Grene on regular basis. In 2022, we established a student network for all our interns and student assistants. The aim of the network is to create both a professional and social community across the company, with a focus on development, learning, networking and Sister Spirit. The students are given a plan for their development and assigned a Big Sister to help them become part of the community. Regular social and professional events are also organised for the network.

Goals for our work:

August 2023, we have 7 interns distributed across different departments. The goal for August 2024 is that we have 10 interns.

August 2023, we have 11 student assistants. The goal is to increase this to 15 student assistants in August 2024.

Diversity & Inclusion

Taking social responsibility is not a strategy for us, but simply comes naturally. Our Sister Spirit also means that we seek to create an inclusive and diverse workplace with dedicated employees. By creating flexible working conditions and trusting relationships, we retain employees for longer. We work to both employ and retain people on the edge of the labour market and are proud to contribute to creating a meaningful life for the individual. We have employed mentally vulnerable youths, former criminals, long-term unemployed and people on reduced hours. Our recruitment from the edge of the labour market is in line with UN's global sustainability goal 8. The focus is on getting socially vulnerable people into work, but also about reducing unemployment among youths who are not in a job or studying. Our efforts at our e-commerce warehouse, in particular, where we hire mentally vulnerable young people on equal terms with everyone else, help to teach young people how to go to work, so they can hold down a job – also later in life.

At our e-commerce warehouse we have partnered up with Aarhus Job Centre to employ Ukrainian refugees. While they work with us, we offer Danish language training in the workplace. Søstrene Grene also works with the following initiatives and organisations: High:five, Jobbanken (Job Bank), SIND (the Danish Association for Mental Health) and Job og Unge (Job and Youths) (Aarhus Municipality).

Our D&I in numbers from E-Commerce warehouse

From the edge of the labour market (via Job og Unge/the municipality) we have 13 employees. Moreover, we have 4 former criminals and 4 people on reduced hours.

We have employed approximately 16 employees from the following countries: Iceland, Somalia, Latvia, Romania, Thailand, Turkey, Poland, Italy, Jordan, Morocco, Russia, and Egypt. Moreover, we have approximately 17 Ukrainians (including the 4 who starts their employment on 26.06.2023).

Labour rights

At Søstrene Grene we strive to create a workplace that is as flexible as possible. This means that we have a positive view of remote work and flexible meeting times, however always considering and respecting the task at hand and the sense of community.

In 2022, we introduced Focus Time (two hours of meeting-free time from 8:00 AM to 10:00 AM) as an experiment to promote mental tranquillity, productivity, and an improved meeting culture. It has now become a regular part of everyone's calendars.

Working in a Søstrene Grene Store

Many of our stores are run independently by partners with their own way of hiring, retaining and developing the staff. Our HQ office supports the stores in the following HR tasks:

Employer branding: HQ develops and maintains the career site and the recruitment system

Communication: HQ develops and maintains the internal communication app (our Sisterhood) that covers all communication from HQ to the stores and between the stores

Training: HQ offers online onboarding training for new employees in the stores

Values and culture

We aspire to touch the hearts of people through a wonderful universe unlike anything the world has ever seen before, and we believe that our business and our results depend on the Sisters we surround ourselves with. Partnerships with our franchisees and suppliers and our relationship with our employees are therefore crucial to our success. In Søstrene Grene we call each other Sisters – regardless of gender. Our culture and our way of

being together is called our Sister Spirit

Whether you are employed at Søstrene Grene's head office or in a Søstrene Grene store, our values describe what we want both our customers and our fellow sisters to experience with us:

JOY

At Søstrene Grene, we aspire to brighten up and make a joyful and positive difference to the lives of everyone who explores the wonderful world of Anna and Clara.

AESTHETICS

We are passionate about incorporating beauty into everything we do, because we believe that being surrounded by high aesthetic quality can bring joy to daily life.

EVER-CHANGING

We make a virtue of being ever-changing, and the frequent variation is what makes our product range so surprising. The ever-changing comes from within – and therefore we value creativity and innovation in an ever-changing world.

FINDS

Everyone is welcome to explore Søstrene Grene, and we do our utmost to feature wonderful finds at favourable prices that everyone can appreciate. Therefore, a good deal is fundamental to our entire business.

CREATIVITY

Creativity makes life an experience. At Søstrene Grene, we therefore endeavour to inspire our surroundings to be creative.

'HYGGE'

Hygge is a state of joy, satisfaction and cosiness that is unique to Denmark, where the sisters are from. We therefore take great care to create moments of hygge at Søstrene Grene.

Community support

Long-standing cooperation with Plan International

Søstrene Grene has worked closely with Plan International since 2018. Plan International works in the world's most fragile and vulnerable areas, with a long-term vision of protecting the rights of children and young people and creating equal opportunities for all, regardless of gender.

The support from Søstrene Grene specifically goes to projects in West Africa which work to ensure that girls and young women receive an education by amongst other initiatives preventing child marriages and teenage pregnancies.

We continuously launch new Plan International products, of which part of the price is donated to the fight for girls' and young women's rights.

In 2022, Søstrene Grene donated DKK 1,141,181 (EUR 153,128) to Plan International.

Over half of Søstrene Grene more than 260 stores have a sponsor child. The support for the sponsored children changes lives - not only for the individual child but for the entire local community that the child lives in.

The sponsorship contributes to bettering families' living conditions and securing more children a safe childhood with better access to education and health care. Moreover, the sponsorship supports the fight for children's rights and equality between boys and girls.

Governance

Whistleblower policy

Søstrene Grene has a whistleblower solution that must ensure that employees and members of the management of Søstrene Grene's Import A/S or its subsidiaries ("Søstrene Grene") as well as customers, suppliers, partners, etc. in connection with the Søstrene Grene, in good faith and without fear of retaliation, may make anonymous or non-anonymous notifications of serious violations or suspicion of serious violations that may have an impact on the Søstrene Grene, including inflicting a financial loss on the Søstrene Grene or damaging the company's reputation, or which may be of decisive importance to the life or health of individuals.

Serious conditions that can be reported via the whistleblower scheme are e.g., information on:

- Economic crime such as embezzlement, bribery, fraud, and forgery
- Submission of incorrect or misleading information to public authorities
- Serious breaches of work safety
- Physical violence and sexual abuse
- Corruption
- Irregularities regarding accounting and auditing

All reports are answered and will be handled with confidentiality by Søstrene Grene's partner Whistle Zone

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 Holding ApS is composed of four male board members and one female. By the end of 2024, Søstrene Grene Holding ApS 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.

There is a tendency towards a stronger overrepresentation of women in the retail business as store managers. The split of the gender representation for management bodies in the group is currently women 77% and men 23%. 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.

Consolidated income statement for 2022/23

	Notes	2022/23 DKK'000	2021/22 DKK'000
Revenue	2	1,795,138	1,688,984
Other operating income	3	26,753	37,000
Cost of sales		(745,211)	(705,278)
Other external expenses	4	(401,783)	(371,364)
Gross profit/loss		674,897	649,342
Staff costs	5	(440,759)	(395,439)
Depreciation, amortisation and impairment losses	6	(54,164)	(46,456)
Operating profit/loss		179,974	207,447
Other financial income	7	18,534	11,479
Other financial expenses	8	(14,851)	(10,416)
Profit/loss before tax		183,657	208,510
Tax on profit/loss for the year	9	(41,112)	(43,547)
Profit/loss for the year	10	142,545	164,963

Consolidated balance sheet at 30.04.2023

Assets

	Notes	2022/23 DKK'000	2021/22 DKK'000
Acquired intangible assets		38,018	34,618
Goodwill		0	0
Intangible assets	11	38,018	34,618
Land and buildings		205,814	208,036
Other fixtures and fittings, tools and equipment		50,137	47,479
Leasehold improvements		70,311	66,608
Property, plant and equipment	12	326,262	322,123
Deposits		18,206	15,436
Other receivables		1,248	2,016
Financial assets	13	19,454	17,452
Fixed assets		383,734	374,193
Manufactured goods and goods for resale		278,399	262,387
Inventories		278,399	262,387
Trade receivables		25,606	23,150
Deferred tax	14	12,664	776
Other receivables		77,825	41,483
Prepayments	15	11,486	7,988
Receivables		127,581	73,397
Cash		106,906	159,897
Current assets		512,886	495,681
Assets		896,620	869,874

Equity and liabilities

	Notes	2022/23 DKK'000	2021/22 DKK'000
Contributed capital		80	80
Retained earnings		359,050	352,578
Proposed dividend for the financial year		30,000	30,000
Equity belonging to Parent's shareholders		389,130	382,658
Equity belonging to minority interests		5,278	9,049
Equity		394,408	391,707
Deferred tax	14	15,484	0
Provisions		15,484	0
Mortgage debt		95,217	123,221
Bank loans		10,212	12,363
Lease liabilities		16,998	14,095
Other payables		8,350	8,199
Non-current liabilities other than provisions	16	130,777	157,878
Current portion of non-current liabilities other than provisions	16	27,474	27,432
Trade payables		185,202	181,255
Tax payable		25,064	19,868
Other payables		118,211	91,734
Current liabilities other than provisions		355,951	320,289
Liabilities other than provisions		486,728	478,167
Equity and liabilities		896,620	869,874
Events after the balance sheet date	1		
Financial instruments	18		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Transactions with related parties	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2022/23

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000
Equity beginning of year	80	352,578	30,000	382,658	9,049
Effect of mergers and business combinations	0	0	0	0	(4,802)
Ordinary dividend paid	0	0	(30,000)	(30,000)	0
Extraordinary dividend paid	0	(90,000)	0	(90,000)	0
Exchange rate adjustments	0	(355)	0	(355)	0
Fair value adjustments of hedging instruments	0	(19,603)	0	(19,603)	0
Value adjustments	0	2,559	0	2,559	0
Other entries on equity	0	0	0	0	(1,956)
Tax of entries on equity	0	4,313	0	4,313	0
Profit/loss for the year	0	109,558	30,000	139,558	2,987
Equity end of year	80	359,050	30,000	389,130	5,278

	Total DKK'000
Equity beginning of year	391,707
Effect of mergers and business combinations	(4,802)
Ordinary dividend paid	(30,000)
Extraordinary dividend paid	(90,000)
Exchange rate adjustments	(355)
Fair value adjustments of hedging instruments	(19,603)
Value adjustments	2,559
Other entries on equity	(1,956)
Tax of entries on equity	4,313
Profit/loss for the year	142,545
Equity end of year	394,408

Consolidated cash flow statement for 2022/23

	Notes	2022/23 DKK'000	2021/22 DKK'000
Operating profit/loss		179,974	207,447
Amortisation, depreciation and impairment losses		53,270	48,144
Working capital changes	17	(47,488)	17,475
Cash flow from ordinary operating activities		185,756	273,066
Financial income received		18,534	11,479
Financial expenses paid		(14,851)	(10,416)
Taxes refunded/(paid)		(32,715)	(26,550)
Cash flows from operating activities		156,724	247,579
Acquisition etc. of intangible assets		(17,758)	(16,000)
Acquisition etc. of property, plant and equipment		(42,896)	(26,786)
Sale of property, plant and equipment		0	766
Acquisition of fixed asset investments		(3,498)	(535)
Repayments received		1,496	3,552
Cash flows from investing activities		(62,656)	(39,003)
Free cash flows generated from operations and investments before financing		94,068	208,576
Repayments of loans etc.		(27,059)	(86,558)
Dividend paid		(120,000)	(300)
Cash flows from financing activities		(147,059)	(86,858)
Increase/decrease in cash and cash equivalents		(52,991)	121,718

Cash and cash equivalents beginning of year	159,897	38,179
Cash and cash equivalents end of year	106,906	159,897

Cash and cash equivalents at year-end are composed of:

Cash	106,906	159,897
Cash and cash equivalents end of year	106,906	159,897

Notes to consolidated financial statements

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

	2022/23	2021/22
	DKK'000	DKK'000
DACH and Benelux	741,871	639,350
Nordic	688,470	674,712
Southern Europe	252,284	279,601
British Isles	112,513	95,321
Total revenue by geographical market	1,795,138	1,688,984

3 Other operating income

Other operating income consist of sale of software, consulting work in connection with design of shops, and accounting fees which amounts to DKK 23m.

The Group has received compensation from the wage and fixed costs support schemes established as a result of the outbreak and spread of Covid-19 in 2022/23 with a total of DKK 3m (DKK: 20m in 2021/22).

4 Fees to the auditor appointed by the Annual General Meeting

	2022/23	2021/22
	DKK'000	DKK'000
Statutory audit services	1,043	1,304
Tax services	294	111
Other services	2,324	698
	3,661	2,113

5 Staff costs

	2022/23	2021/22
	DKK'000	DKK'000
Wages and salaries	351,706	338,340
Pension costs	19,874	18,863
Other social security costs	34,971	28,074
Other staff costs	34,208	10,162
	440,759	395,439
Average number of full-time employees	1,287	1,196

	Remuneration of management 2022/23 DKK'000	Remuneration of management 2021/22 DKK'000
Executive Board	5,827	5,672
Board of Directors	106	106
	5,933	5,778

6 Depreciation, amortisation and impairment losses

	2022/23 DKK'000	2021/22 DKK'000
Amortisation of intangible assets	14,358	10,634
Depreciation on property, plant and equipment	38,068	36,666
Profit/loss from sale of intangible assets and property, plant and equipment	1,738	(844)
	54,164	46,456

7 Other financial income

	2022/23 DKK'000	2021/22 DKK'000
Exchange rate adjustments	5,336	11,479
Other financial income	13,198	0
	18,534	11,479

8 Other financial expenses

	2022/23 DKK'000	2021/22 DKK'000
Other interest expenses	14,851	10,416
	14,851	10,416

9 Tax on profit/loss for the year

	2022/23 DKK'000	2021/22 DKK'000
Current tax	33,203	45,540
Change in deferred tax	7,909	(1,993)
	41,112	43,547

10 Proposed distribution of profit/loss

	2022/23	2021/22
	DKK'000	DKK'000
Ordinary dividend for the financial year	30,000	30,000
Retained earnings	109,558	124,788
Minority interests' share of profit/loss	2,987	10,175
	142,545	164,963

11 Intangible assets

	Acquired intangible assets	Goodwill
	DKK'000	DKK'000
Cost beginning of year	72,747	19,837
Additions	17,758	0
Disposals	(2,233)	0
Cost end of year	88,272	19,837
Amortisation and impairment losses beginning of year	(38,129)	(19,837)
Amortisation for the year	(14,358)	0
Reversal regarding disposals	2,233	0
Amortisation and impairment losses end of year	(50,254)	(19,837)
Carrying amount end of year	38,018	0

12 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000	DKK'000
Cost beginning of year	220,773	144,503	127,376
Exchange rate adjustments	0	(1,655)	(150)
Additions	0	29,811	13,085
Disposals	0	(308)	(816)
Cost end of year	220,773	172,351	139,495
Depreciation and impairment losses beginning of year	(12,737)	(97,024)	(60,768)
Disposals on divestments etc	0	1,149	61
Depreciation for the year	(2,222)	(26,553)	(9,293)
Reversal regarding disposals	0	214	816
Depreciation and impairment losses end of year	(14,959)	(122,214)	(69,184)
Carrying amount end of year	205,814	50,137	70,311
Recognised assets not owned by Entity	0	12,785	0

13 Financial assets

	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	15,436	2,550
Additions	3,498	0
Disposals	(728)	(768)
Cost end of year	18,206	1,782
Impairment losses beginning of year	0	(534)
Impairment losses end of year	0	(534)
Carrying amount end of year	18,206	1,248

14 Deferred tax

	2022/23 DKK'000	2021/22 DKK'000
Intangible assets	(8,361)	(7,605)
Property, plant and equipment	(14,722)	(13,250)
Inventories	17,222	18,708
Receivables	3,031	2,591
Liabilities other than provisions	10	332
Deferred tax	(2,820)	776

	2022/23 DKK'000	2021/22 DKK'000
Changes during the year		
Beginning of year	776	2,276
Recognised in the income statement	(7,909)	1,993
Recognised directly in equity	4,313	(3,493)
End of year	(2,820)	776

	2022/23 DKK'000
Deferred tax has been recognised in the balance sheet as follows	
Deferred tax assets	12,664
Deferred tax liabilities	(15,484)
	(2,820)

Deferred tax assets

The company has capitalised tax assets relating to tax losses carried forward. It is based on an expectation that the group will continue its positive operations in the coming year and thereby be able to utilize the tax losses.

15 Prepayments

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

16 Non-current liabilities other than provisions

	Due within 12 months 2022/23 DKK'000	Due within 12 months 2021/22 DKK'000	Due after more than 12 months 2022/23 DKK'000	Outstanding after 5 years 2022/23 DKK'000
Mortgage debt	17,083	18,902	95,217	62,978
Bank loans	2,150	2,150	10,212	1,612
Lease liabilities	8,241	6,380	16,998	4,165
Other payables	0	0	8,350	0
	27,474	27,432	130,777	68,755

17 Changes in working capital

	2022/23 DKK'000	2021/22 DKK'000
Increase/decrease in inventories	(16,012)	(22,957)
Increase/decrease in receivables	(42,296)	(7,046)
Increase/decrease in trade payables etc.	10,820	47,478
	(47,488)	17,475

18 Derivative financial instruments

Other payables include a positive fair value of exchange contracts of DKK 5,690k (2021/22: Other receivables DKK 13,910k). The forward exchange contracts have been entered into to hedge the foreign currency risk of trade payables in USD total 17,000k. 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.

19 Unrecognised rental and lease commitments

	2022/23	2021/22
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	416,075	397,382

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 410m. The Company re-leases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 23m.

20 Contingent liabilities

The Group's bank has issued a bank guarantee of DKK 51m for leaseholds at the balance sheet date, payment guarantee to mortgage debt for DKK 47m 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 5m.

21 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. Mortgage debt amounts to DKK 83m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 206m.

22 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

23 Subsidiaries

	Registered in	Corporate form	Ownership %
Søstrene Grenes Import A/S	Denmark	A/S	100.00
Hilmer Denmark 1 Holding ApS	Denmark	ApS	90.00
R&R Handel ApS	Denmark	ApS	90.00
Sg - Field's ApS	Denmark	ApS	90.00
Søstrene Grene Europe B.V.	Netherlands	B.V.	100.00
Søstrene Grene Trading Shanghai Co, Ltd.	Shanghai	Ltd.	100.00
Søstrene Grene Deutschland GmbH	Germany	GmbH	100.00
Hilmer Holding GmbH	Germany	GmbH	86.00
Hilmer 1 GmbH	Germany	GmbH	86.00
Hilmer 2 GmbH	Germany	GmbH	86.00
Hilmer 3 GmbH	Germany	GmbH	86.00
Hilmer 4 GmbH	Germany	GmbH	86.00
Hilmer 5 GmbH	Germany	GmbH	86.00
Hilmer 6 GmbH	Germany	GmbH	86.00
Hilmer 7 GmbH	Germany	GmbH	86.00
Hilmer 8 GmbH	Germany	GmbH	86.00
Hilmer Süd Holding GmbH	Germany	GmbH	86.00
Hilmer Süd 1 GmbH	Germany	GmbH	86.00
Hilmer Süd 2 GmbH	Germany	GmbH	86.00
Hilmer Süd 3 GmbH	Germany	GmbH	86.00
Hilmer Süd 4 GmbH	Germany	GmbH	86.00
Hilmer Süd 5 GmbH	Germany	GmbH	86.00
Hilmer Süd 6 GmbH	Germany	GmbH	86.00
Hilmer West Holding GmbH	Germany	GmbH	86.00
Hilmer West 1 GmbH	Germany	GmbH	86.00
Hilmer West 2 GmbH	Germany	GmbH	86.00
Hilmer West 3 GmbH	Germany	GmbH	86.00
Hilmer West 4 GmbH	Germany	GmbH	86.00
Hilmer West 5 GmbH	Germany	GmbH	86.00
Hilmer West 6 GmbH	Germany	GmbH	86.01
SG Northern England Ltd.	England	Ltd.	90.00
SG Victoria Nottingham Ltd.	England	Ltd.	90.00
SG Metro Newcastle Ltd.	England	Ltd.	90.00

	Registered in	Corporate form	Ownership %
SG No. 3 Ltd.	England	Ltd.	90.00
SG No. 4 Ltd.	England	Ltd.	90.00
SG No. 5 Ltd.	England	Ltd.	90.00
SG No. 6 Ltd.	England	Ltd.	90.00
SG No. 7 Ltd.	England	Ltd.	90.00
SG No. 8 Ltd.	England	Ltd.	90.00
Aarhus Retail B.V.	Netherlands	B.V.	100.00
SG Retail Groningen B.V.	Netherlands	B.V.	100.00
SG Retail Den Haag B.V.	Netherlands	B.V.	100.00
SG Retail Nieuwendijk B.V.	Netherlands	B.V.	100.00
SG Retail Zwolle B.V.	Netherlands	B.V.	100.00
SG Retail Rotterdam B.V.	Netherlands	B.V.	100.00
SG Retail Den Bosch B.V.	Netherlands	B.V.	100.00
SG Retail Nijmegen B.V.	Netherlands	B.V.	100.00
SG Retail Enschede B.V.	Netherlands	B.V.	100.00
SG Retail Amersfoort B.V.	Netherlands	B.V.	100.00
SG Retail Breda B.V.	Netherlands	B.V.	100.00
SG Retail Utrecht HC B.V.	Netherlands	B.V.	100.00
SG Retail Maastricht B.V.	Netherlands	B.V.	100.00
SG Retail Utrecht B.V.	Netherlands	B.V.	100.00
SG Retail Tilburg B.V.	Netherlands	B.V.	100.00
SG Retail Leiden B.V.	Netherlands	B.V.	100.00
SG Retail Antwerpen B.V.	Belgium	B.V.	100.00
SG Retail Brussel B.V.	Belgium	B.V.	100.00
Søstrene Grene Holding France S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 1 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 2 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 3 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 4 S.A.R.L.	France	S.A.R.L.	100.00

	Registered in	Corporate form	Ownership %
Hilmer Retail 5 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 6 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 7 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 8 S.A.R.L.	France	S.A.R.L.	100.00
SGTF S.A.R.L.	France	S.A.R.L.	100.00
SGBM S.A.R.L.	France	S.A.R.L.	100.00
SGBA S.A.R.L.	France	S.A.R.L.	100.00
SGPC S.A.R.L.	France	S.A.R.L.	100.00
SGLM S.A.R.L.	France	S.A.R.L.	100.00
SGPL S.A.R.L.	France	S.A.R.L.	100.00
SGTC S.A.R.L.	France	S.A.R.L.	100.00
SG Mulhouse Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Rive Etoile Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Saint Genies Laval Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Besancon Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Val Thoiry Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Annecy Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Sverige Holding AB	Sweden	AB	90.00
SG Malmö AB	Sweden	AB	90.00
SG Kristiansta AB	Sweden	AB	90.00
LP&CM Retail AB	Sweden	AB	90.00
CM Mölndal AB	Sweden	AB	90.00
CM Helsingborg AB	Sweden	AB	90.00
SG Göteborg AB	Sweden	AB	90.00
CF Kungälv AB	Sweden	AB	90.00
CF Allum AB	Sweden	AB	90.00
SG Jönköping	Sweden	AB	90.00

	Registered in	Corporate form	Ownership %
S. Grene Operations Ireland Ltd.	Ireland	Ltd.	50.00
S. Green Dún Laohaire Ltd.	Ireland	Ltd.	50.00
S. Grene Dublin 1 Ltd.	Ireland	Ltd.	50.00
S. Grene Cork 1 Ltd.	Ireland	Ltd.	50.00
Hilmer R.T.I. 1 Ltd.	Ireland	Ltd.	50.00
Hilmer R.T.I. 2 Ltd.	Ireland	Ltd.	50.00
Hilmer R.T.I. 3 Ltd.	Ireland	Ltd.	50.00
Hilmer Scotland 1 Ltd.	Scotland	Ltd.	90.00
Hilmer Scotland 2 Ltd.	Scotland	Ltd.	90.00
Hilmer England 1 Ltd.	England	Ltd.	90.00
Hilmer England 2 Ltd.	England	Ltd.	90.00
Hilmer England 3 Ltd.	England	Ltd.	90.00
Hilmer England 4 Ltd.	England	Ltd.	90.00
Hilmer England 5 Ltd.	England	Ltd.	90.00
Hilmer England 6 Ltd.	England	Ltd.	90.00
Hilmer England 7 Ltd.	England	Ltd.	90.00
Hilmer England 8 Ltd.	England	Ltd.	90.00
Hilmer England 9 Ltd.	England	Ltd.	90.00

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

Parent income statement for 2022/23

	Notes	2022/23 DKK'000	2021/22 DKK'000
Other operating income		19,012	2,823
Other external expenses		(1,727)	(1,395)
Gross profit/loss		17,285	1,428
Staff costs	1	(18,381)	(2,985)
Operating profit/loss		(1,096)	(1,557)
Income from investments in group enterprises		139,156	168,024
Other financial income	2	5,688	3,620
Impairment losses on financial assets		0	(10,172)
Other financial expenses	3	(4,074)	(5,116)
Profit/loss before tax		139,674	154,799
Tax on profit/loss for the year	4	(116)	670
Profit/loss for the year	5	139,558	155,469

Parent balance sheet at 30.04.2023

Assets

	Notes	2022/23 DKK'000	2021/22 DKK'000
Investments in group enterprises		352,058	422,733
Receivables from group enterprises		103,216	114,932
Financial assets	6	455,274	537,665
Fixed assets		455,274	537,665
Joint taxation contribution receivable		0	5,131
Receivables		0	5,131
Cash		3,283	3,466
Current assets		3,283	8,597
Assets		458,557	546,262

Equity and liabilities

	Notes	2022/23 DKK'000	2021/22 DKK'000
Contributed capital		80	80
Reserve for net revaluation according to equity method		179,559	180,036
Retained earnings		179,491	172,542
Proposed dividend for the financial year		30,000	30,000
Equity		389,130	382,658
Trade payables		450	420
Payables to group enterprises		63,627	161,627
Joint taxation contribution payable		116	0
Other payables		5,234	1,557
Current liabilities other than provisions		69,427	163,604
Liabilities other than provisions		69,427	163,604
Equity and liabilities		458,557	546,262
Contingent liabilities	7		
Assets charged and collateral	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2022/23

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	80	180,036	172,542	30,000	382,658
Ordinary dividend paid	0	0	0	(30,000)	(30,000)
Extraordinary dividend paid	0	0	(90,000)	0	(90,000)
Exchange rate adjustments	0	(355)	0	0	(355)
Value adjustments	0	2,559	0	0	2,559
Other entries on equity	0	(15,290)	0	0	(15,290)
Dividends from group enterprises	0	(931)	931	0	0
Profit/loss for the year	0	13,540	96,018	30,000	139,558
Equity end of year	80	179,559	179,491	30,000	389,130

Notes to parent financial statements

1 Staff costs

	2022/23	2021/22
	DKK'000	DKK'000
Wages and salaries	16,626	2,703
Pension costs	1,542	257
Other social security costs	71	7
Other staff costs	142	18
	18,381	2,985
Average number of full-time employees	9	2

2 Other financial income

	2022/23	2021/22
	DKK'000	DKK'000
Financial income from group enterprises	5,531	3,614
Other interest income	157	0
Other financial income	0	6
	5,688	3,620

3 Other financial expenses

	2022/23	2021/22
	DKK'000	DKK'000
Financial expenses from group enterprises	3,325	5,104
Other interest expenses	3	5
Exchange rate adjustments	734	0
Other financial expenses	12	7
	4,074	5,116

4 Tax on profit/loss for the year

	2022/23	2021/22
	DKK'000	DKK'000
Current tax	116	0
Change in deferred tax	0	(670)
	116	(670)

5 Proposed distribution of profit and loss

	2022/23	2021/22
	DKK'000	DKK'000
Ordinary dividend for the financial year	30,000	30,000
Retained earnings	109,558	125,469
	139,558	155,469

6 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000
Cost beginning of year	42,697	175,793
Additions	4,802	5,533
Disposals	0	(17,865)
Cost end of year	47,499	163,461
Revaluations beginning of year	380,036	(50,712)
Exchange rate adjustments	(355)	0
Adjustments on equity	(15,290)	0
Share of profit/loss for the year	136,273	0
Adjustment of intra-group profits	2,883	0
Dividend	(200,931)	0
Investments with negative equity value depreciated over receivables	(616)	616
Other adjustments	2,559	0
Revaluations end of year	304,559	(50,096)
Impairment losses beginning of year	0	(10,149)
Impairment losses end of year	0	(10,149)
Carrying amount end of year	352,058	103,216

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

7 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

8 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 31m.

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 30m at balance sheet date.

The Company is liable for mortgage liabilities in Søstrene Grenes Import A/S, which total DKK 83m at the balance sheet date.

9 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during 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' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover 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.

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 recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in 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.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. 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 reserve for fair value adjustments of hedging instruments 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.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary

activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal 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 wages and salaries, 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, and gains and losses from the 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, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Impairment losses on financial assets

Impairment losses on financial assets comprises 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, 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.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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, plant and machinery, and 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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

	Useful life
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 in the parent financial statements according to

the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises 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 enterprise, 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 group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

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.

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.

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.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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.

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

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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.

Other financial liabilities

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

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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, and 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 financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of

enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

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