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J.J. Holding I ApS

Orionvej 1
7430 Ikast
CVR No. 41943688

Annual report 01.04.2022 - 31.03.2023

The Annual General Meeting adopted the annual report on 27.06.2023

Jesper Lundhøj Stubkjær Klausen
Chairman of the General Meeting

Contents

Entity details

Entity

J.J. Holding I ApS

Orionvej 1

7430 Ikast

Business Registration No.: 41943688

Registered office: Ikast-brande

Financial year: 01.04.2022 - 31.03.2023

Executive Board

Jacob Lundhøj Stubkjær Klausen

Jesper Lundhøj Stubkjær Klausen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of J.J. Holding I ApS for the financial year 01.04.2022 - 31.03.2023.

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 31.03.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2022 - 31.03.2023.

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.

Ikast, 27.06.2023

Executive Board

Jacob Lundhøj Stubkjær Klausen

Jesper Lundhøj Stubkjær Klausen

Independent auditor's report

To the shareholders of J.J. Holding I ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of J.J. Holding I ApS for the financial year 01.04.2022 - 31.03.2023, 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 31.03.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2022 - 31.03.2023 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, 27.06.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Nicolaj Haarup
State Authorised Public Accountant
Identification No (MNE) mne46613

Management commentary

Financial highlights

	2022/23 DKK'000	2021/22 DKK'000	2020/21 DKK'000
Key figures			
Revenue	855,514	531,800	354,163
Gross profit/loss	333,983	218,373	146,189
Operating profit/loss	118,303	71,981	35,582
Net financials	(11,323)	(3,958)	(4,152)
Profit/loss for the year	85,081	54,250	26,245
Profit for the year excl. minority interests	56,593	36,311	25,075
Balance sheet total	547,917	369,854	228,792
Investments in property, plant and equipment	87,311	72,097	4,482
Equity	196,991	138,968	108,893
Equity excl. minority interests	131,899	93,332	79,196
Cash flows from operating activities	61,792	32,026	19,541
Cash flows from investing activities	(85,640)	(73,801)	15,335
Cash flows from financing activities	81,315	52,205	(20,248)
Ratios			
Gross margin (%)	39.04	41.06	41.28
Net margin (%)	9.95	10.20	7.41
Equity ratio (%)	24.07	25.23	34.61

The company was established in 2020 and therefore the financial highlight only consist of tre years. Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

The Group's primary activities are production of high quality functional outdoor garments. The Group produces at its own factories in Vietnam and Latvia, and partly by SUB-contractor in Ukraine.

Development in activities and finances

The Group achieved a net revenue of 856 million DKK compared with last year 532 million DKK. Profit after tax is amounted to 85 million DKK compared with 54 million DKK last year.

The Management consider the result to be very satisfactory.

The year has been normalized in terms of last years impact of COVID-19 pandemic and the global freight crises. However, this year was caught by other challenges, such as the war in Ukraine and the very high inflation. Despite this, the demands for clothes for the Outdoor segment continues to grow.

The building project in An Giang (south Vietnam) was finished in April 2022, and production was started during May 2022. The implementation has successfully increased the capacity in the Group for additional growth in the business activities.

It turns out that the Group was able to restart production by local SUB-contractor in Ukraine during summer 2022. This was determined to support Ukraine during the war and to secure more capacity to our Latvia production units.

The Group's new sales office in Munich was successfully implemented in the second part of the fiscal year.

Profit/loss for the year in relation to expected developments

The Group expected a revenue of 800 million DKK and a profit before tax of 69 million DKK. It turns out better than expected. The cost and expenses in the Group did not increase with the same rate as the growth in the revenue, therefore this had a positive impact on the profit in the Group, compared with the budget.

Uncertainty relating to recognition and measurement

Recognition and measurement in the consolidated financial statements are not subject to any material uncertainties.

Unusual circumstances affecting recognition and measurement

No particular circumstances exert material influence on the financial statement.

Outlook

The Group expects a decrease in the business activities due to lower demands from customers. Unfortunately, customers are over-stocked because of the high inflation and lower demands from the end-users. We anticipate a drop in sales between 20 – 25 %.

The affect means that the Group needs to reduce capacity in production lines and support functions.

Based on these conditions, the Group also expects a decrease in the profit for the year. However, it is estimated with an acceptable profit.

Investments will be on a low level.

Use of financial instruments

The Group is not exposed to particular risks apart from those generally occurring. The Group's financing is primarily based on variable interest rates, which is why any increase in interest rates will affect the Group's earnings. The Group has two main currencies (USD and EUR). Historically, there has been a balance on the USD cash flow.

Going forward, revenue in USD will increase, but will be set-off due with hedging.

Receivables are covered by insurance to the extended possible level. The Risk is not only related to outstanding balances, but also embedded into the whole supply chain from purchase of raw materials to final invoicing of Ready Made Garments.

The Group use developed reliable IT systems, which ensure reliable performance of day-to-day operations, including strengthening of the delivery reliability and efficient supply chain. Ongoing activities to cover IT risks, including virus attack, system crashes etc.

Knowledge resources

To future-proof the Group in terms of the expected growth and expansion of the numbers of employees we are working proactively and continuously on developing all human resources in the organization to be able to meet the future demands by our stakeholders and to achieve the results in our strategy.

Being an innovative and proactive partner for our customers, the Group believes that continuous cooperation with customer development team improves the skills and the competences in the Group's own organization to develop human resources.

Environmental performance

Spectre is very environmentally conscious and continuously strives to reduce environmental impact from our operations. Spectre wants to take sustainability management to a new level.

The Group's factories are certified in environment, quality and CSR with the following certifications; ISO 14001 (environment), ISO 9001 (quality management), SA 8000 (CSR). The Group also reports to Global Impact.

Since 2018 we've been reporting our environmental performance and social accountability through the HIGG assessment index. This has, among other initiatives, led us on a great path to becoming even better and being able to give back and do more.

By joining the SAC in gathering data, comparing across companies and brands, and working together for the same ultimate goals, we will strive to do even more.

Spectre has lately joined the European Outdoor Group (EOG) in sustainable and responsible practices for the outdoor and sport industry, as the first garment manufacturer.

EOG actively promotes responsible business practices in the outdoor industry with projects dedicated to specific topics, disseminating knowledge on sustainability policy developments, and offering various training courses.

The Group has recruited a Sustainability Data Analyst to support the CSR organisation. The Group has started a project that will lay the groundwork towards making Spectre ready for EU regulation together with an external consultant agency.

The project involves evaluating and discovering the gaps we currently must be able to report according to the upcoming European Sustainability Reporting Standards.

It also means we will perform a double materiality assessment to thoroughly identify all the significant ways, Spectre influences the environment and people and how external environmental and social risks might influence Spectre.

After a long wait in the queue since we admitted the assessment in the summer of 2022, our B Corp project has picked up speed and is back on track. For the coming months, the verification progress will continue toward the certification being issued later this spring.

The Group has been granted the LEED Gold certification under the LEED v4 Building Design and Construction according to the U.S Green Building Council for the new factory Spectre Garment Technology An Giang.

To achieve a Leed certification, points are earned by addressing specific topics and focus areas in the building process, looked at from a holistic approach, such as consumption, materials, health, and the indoor environment. The projects and focus areas are verified and scored and finally awarded.

Based on the number of points, the project is scored accordingly and awarded a 'Certified', 'Silver', 'Gold' or 'Platinum' certification.

More detailed information regarding our environmental performance can be found in our sustainability report below.

Research and development activities

The Group does not have definite research activities, but we develop in a close collaboration between our develop- and technical departments and our customers.

The cost related to these activities are expensed in the income statement. The Group has not capitalized any development costs, nor have any items under intangible fixed assets been capitalized.

Statutory report on corporate social responsibility

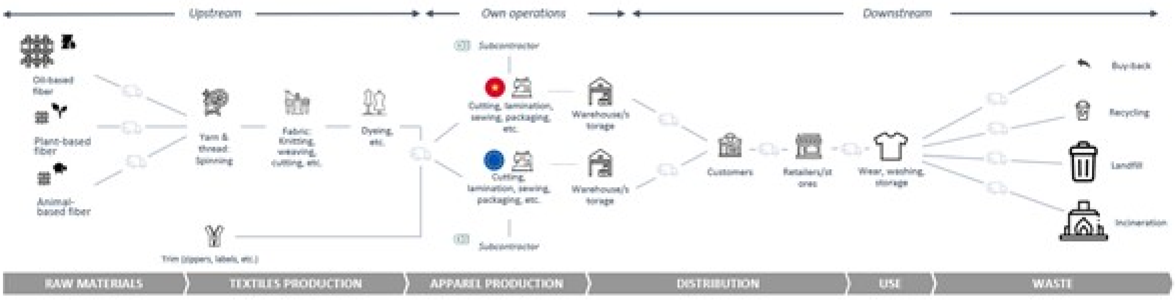
Our business model

Our business lies at an intersection where materials from various suppliers come together to be assembled into a finished product which is packaged and shipped to the warehouses of our customers. The apparel brands that we produce for design, sell and distribute the garments to their consumers. We work with our customers to fit the designs for optimal production and performance. The vast majority of materials making up the products, and hence the suppliers we work with, are chosen by the brands. So, we share with them the responsibility of building responsible supply chains.

In this position in the value chain, we face many daily interactions with the previous and subsequent stages such as coordinating and ensuring compliance with quality, social and environmental requirements, developing the product in time for bulk production, ensuring material deliveries and planning of deliveries to customers. We need to be proactive to smooth out any delays or deviations – whether in our operations or up and down the value chain from us. These pressure points need to be carefully managed to account for their impact on workers and the environment.

We set high standards for ourselves and will also face increase of regulatory requirements by the EU in the coming years.

At Spectre, we produce garments which our customers market for consumers worldwide via both brick-and-mortar stores and e-commerce distribution channels. The current geographic core markets are Western and Northern Europe (primarily Germany, Switzerland, United Kingdom, Spain, Italy and Sweden) – and North America (United States and Canada).



Principles and values

Spectre has a set of long-standing core values. The values reflect the way we work and our attitude towards colleagues, customers and other business partners. The way we work is determined by our ambition of creating the best possible results, a high-quality good working environment and ensuring our customers are always satisfied.

We believe satisfied customers are the best foundation to ensure a strong, long-term partnership, stable jobs for our employees and a good working environment.

Dedication
We show passion and commitment in what we do. We do our very best to perform the task and are loyal to the company and our colleagues.

We will always walk the extra mile for the customer. Through our passion and commitment, our partners clearly feel the advantage of being partners with us.

Responsible
We care for sustainability and act with honesty. We take responsibility for our working place and the external environment, and we solve our tasks responsibly with the aim to reach the best result for both our company, ustomers and business partners. This includes the ability to reach a balanced solution in the search for a long-term sustainable business.

Integrity
We trust and help each other, and we stay true to our values, company policies and guidelines when performing our job and cooperating with business partners and co-workers.

We believe that by trusting and helping each other, we play as a strong team to reach our goals.

Proactive
Our performance exceeds expectations “not just to be good, but to be the best”. By anticipating each situation, we strive to find the best solutions and utilise the advantages of being one step ahead. We have always had the ambition “not just to be good, but to be the best” because essentially, our customers are looking for the best business partners on the market and only by being the best, we stand out from the crowd.

Office and production

Offices
SPECTRE A/S
Ikast, Denmark (Group HQ)

SPECTRE GMBH
Münich, Germany

Production sites
Three in Latvia and three in Vietnam.
SPECTRE GARMENT TECHNOLOGIES VCL
Nam Dinh, Vietnam
Thai Binh, Vietnam
SPECTRE GARMENT TECHNOLOGIES AN GIANG VCL
An Giang, Vietnam

SPECTRE LATVIA SIA
Kalnciems, Latvia
Auce, Latvia
Rezekne, Latvia

Two-string production
Europe and Asia – the perfect combination

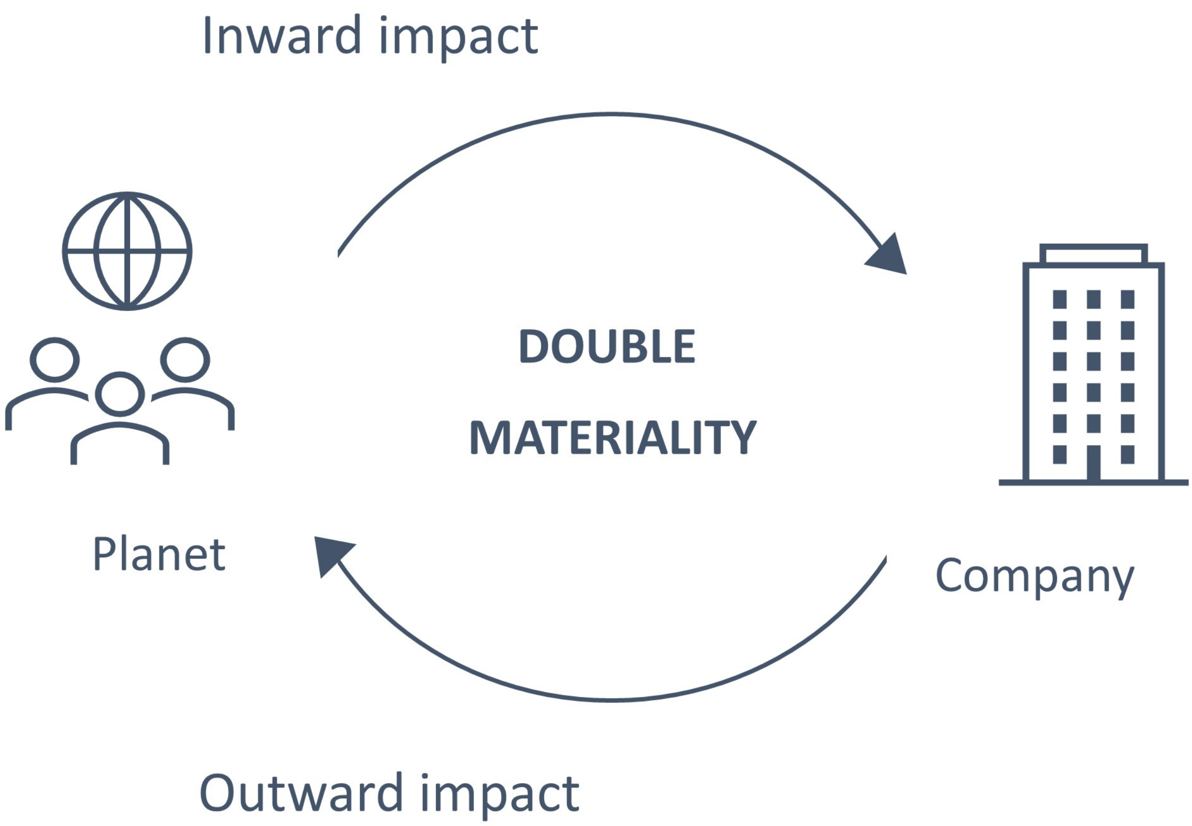
Our direction

Double materiality and preparing to align with CSRD

We are proud that our work enables people to experience the great outdoors in high-quality apparel for demanding environments. However, we are also aware that the value we bring comes with social and environmental impacts. A materiality assessment makes us understand where we have the biggest impacts, our stakeholders' concerns and allows us to assess the implications of these impacts. In our materiality assessment, we also considered the draft European Sustainability Reporting Standards which we will be applying to our reporting once they are approved for implementation of the Corporate Sustainability Reporting Directive (CSRD). Currently, our report is based on the GRI standards.

Aligning with the approach required by the CSRD, we applied the double materiality framework and therefore rated issues on two dimensions:

- Impacts on environment and people (outward impact)
- Financial materiality (inward impact)

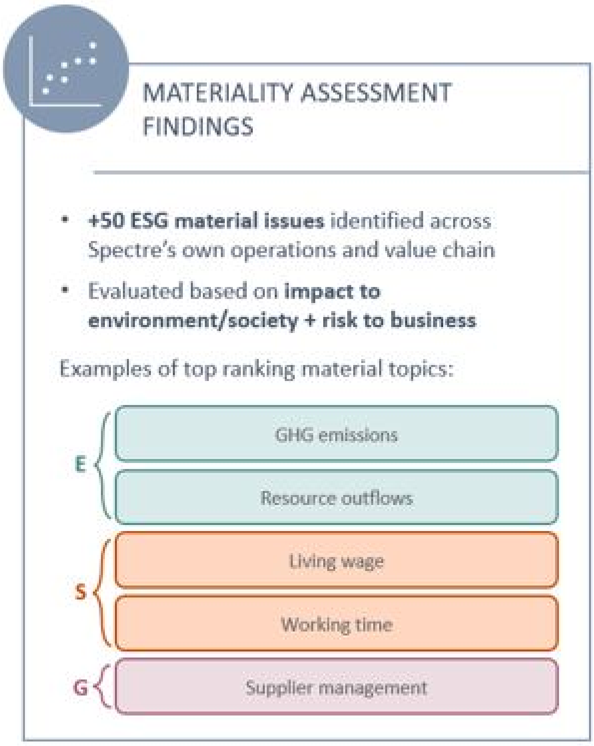


The assessment included interviews with our key stakeholder groups such as representatives of our customers, civil society, employees and others. Further discussions in company workshops as well as desktop research allowed us to gain a good understanding of the potential impacts.

We appreciate Spectre's willingness to work together on piloting new projects, and expect them to continue focusing on reducing GHG emissions, meeting all overtime limits and ensuring living wages
Minh Cao & Linh Cao
Sustainability Project Managers at On Running

In the coming years, we will be expecting increased collaboration on decarbonisation, which will require mobilisation across the entire value chain.
Tobias Steinegger
Sustainability Analyst at Mammut

We introduce the findings of our materiality assessment with materiality matrices in the respective sections of this report, and the following paragraph addresses our impacts and approaches to managing them.



Setting 2030 ESG targets
This thorough materiality assessment is also the starting point for setting new strategic ESG targets. These targets will be measurable, time-bound and ambitious to match our role in the global and industry-specific challenges the world is facing, and they will be backed by actionable steps toward achieving them. In 2023 and 2024, we will develop and set these ESG targets. We will leverage the partnerships with our customers, with the sustainability and industry associations we are part of and through our knowledge and commitment. These strategic goals will be an integrated part of Spectre's overall business strategy and reporting, so they can guide our actions towards 2030. Part of this is also establishing a more comprehensive governance framework throughout our company to anchor it in the business and empower the organisation.

Environment
Our role in the value chain

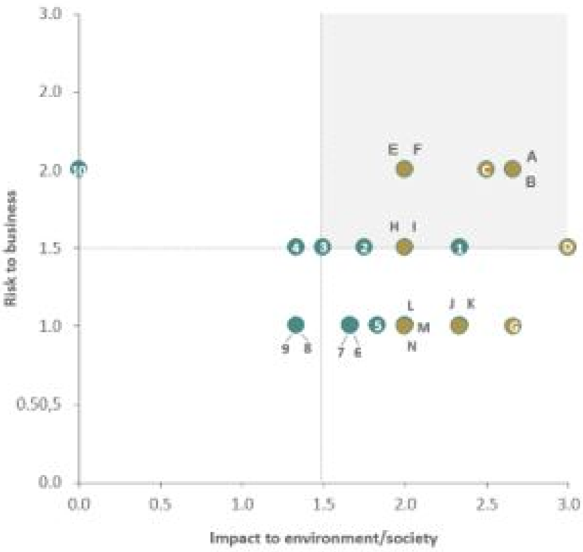
As a responsible company, we not only look at our own operations, but take a value chain approach to assessing our impacts. In our role as a Tier 1 supplier, approximately 95% of purchased materials come from suppliers nominated by our customers. However, the customers we partner with are among the most progressive apparel brands when it comes to sustainability and social responsibility. These brands in turn have high standards for the materials and suppliers they choose for their products.

Environmentally conscious consumers are increasingly interested in lower-impact products and regulators like the European Union are also taking strong measures to address these concerns. Legislation like the Corporate Social Responsibility Directive (CSRD) and other actions outlined in the Strategy for Sustainable and Circular Textiles are raising the bar on expectations and obligations of brands and manufacturers in the apparel industry.

As part of that value chain, we want to play our part in addressing the challenges the world currently faces.

Performing a thorough materiality assessment allowed us to establish which environmental impacts we need to give the highest priority.

Own operations		Value Chain	
1.	GHG emissions Scope 1 & 2	A.	GHG emissions Scope 3
		B.	Resource outflows
2.	Waste	C.	Water scarcity
3.	Wastewater discharges and pollution	D.	Wastewater discharges and pollution
		E.	Energy consumption
4.	Energy consumption	F.	Water consumption
		G.	Chemical management
5.	Biodiversity	H.	Resource depletion
6.	Chemical management	I.	Climate change adaptation
7.	Hazardous waste	J.	Air pollution
8.	Air pollution	K.	Impacts on ecosystems
9.	Water consumption	L.	Biodiversity loss
		M.	Soil pollution
10.	Climate change adaptation	N.	Pollution of living organisms and food
		O.	Hazardous waste



GHG emissions (1, A) have the most material impacts both in our operations and the value chain, which is closely connected with energy consumption (4, E). Having a value chain perspective also reveals that we need to address the end-of-life of our products, as they are mostly made of synthetic fabrics for which current recycling options are quite limited.

The material production processes also flag water scarcity, discharges and pollution (9, C, D, F) as potential impacts in our supply chain. Handling waste from our production process (2) with fabric scraps from cutting being the main source is another focus area we can impact directly.

Even though the wastewater generated in our factories comes only from household use, we still need to be mindful to adhere to all standards for wastewater discharge (3). Resource depletion (H) should be addressed by increasing the share of circular (recycled content) and organic materials in our products. Our production facilities and those of our suppliers may in future be exposed to flooding risks in case of dramatic sea water level rise due to climate change (10, K).

This in-depth materiality assessment informs our long-term sustainability target setting. The following chapters outline our performance and actions regarding these topics in more detail.

Investment in the future: Building a LEED Gold factory

An Giang was the first purpose-built factory for Spectre, so we aimed to make it a model factory in every sense, including its sustainability performance. We chose LEED certification for the factory due to its holistic framework. LEED scores building projects on multiple areas, including:

- Integrative process

- Location and transportation
- Sustainable sites
- Water efficiency
- Energy and atmosphere
- Materials and resources
- Indoor environment quality
- Innovation, and
- Regional priorities.

Depending on the score, a project can obtain the certification levels Certified, Silver, Gold or Platinum – the highest level of sustainability. The solutions we chose were tailored to our idea of a sustainable factory building and the design and layout was optimised for energy efficiency.

For example, we prioritised using low-emitting materials for the construction, installing a rainwater harvesting system for self-sufficiency, a rooftop solar system, having plenty of greenery indoors and outdoors and covered parking for employees.

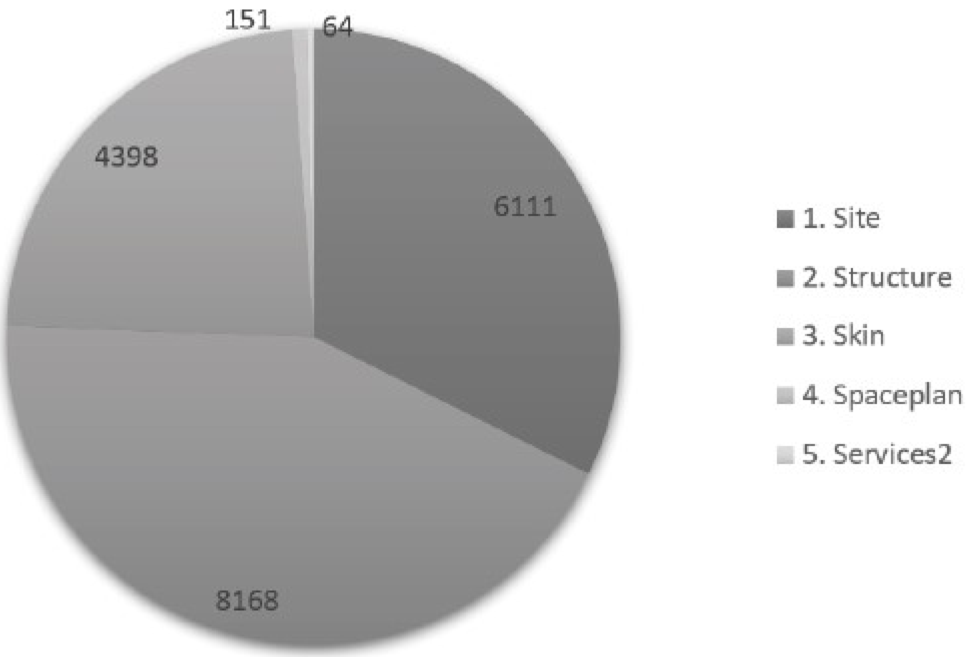
The indoor environment is improved through an air conditioning system, large facades with double-glazed windows and special skylights for optimum daylight though preventing high heat radiation.

Factory data
- 38,000 m2 land area
- 17,000 m2 building area
- More than 75% of total construction waste generated during the construction period has been recycled
- Design optimised for an almost 20% decrease in energy consumption compared to baseline
- 35% of energy consumption covered by rooftop solar system, reducing about 1,600 tons carbon emissions per year
- Energy monitoring system allows for better energy management
- The building is equipped with sensor-controlled LED lighting
- The production and office area are fully air-conditioned
- Use of zero ODP (ozone depletion potential) refrigerants
- Rainwater harvesting system reduces water consumption by over 50%* equal to more than 13,000 m3 of water per year

Note: *In a year with average rain fall

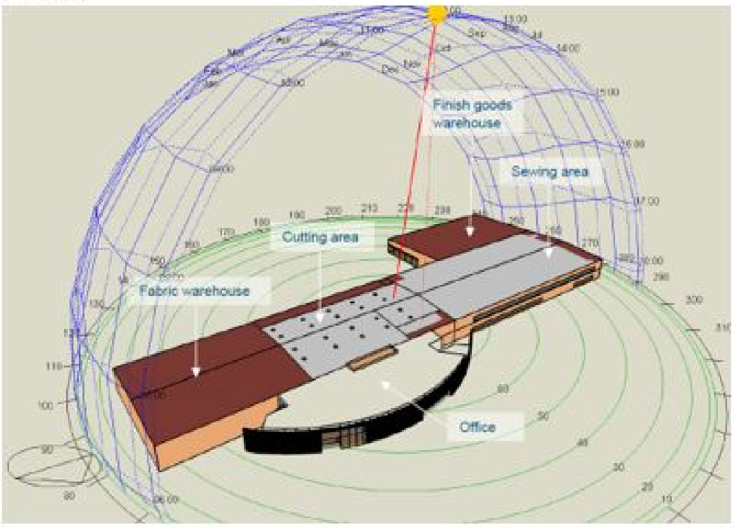
Capital goods is the second largest category of GHG emissions in the past year due to construction of the An Giang factory. Multiple measures were taken to reduce its environmental impact. Within eight years, the energy-saving measures included in the building design should offset one-off emissions from the construction of the factory building.

GHG emissions from An Giang Construction, t CO2e



Considering energy efficiency from the outset

The new An Giang factory is the first greenfield factory construction project we have done instead of adapting existing buildings. It was an opportunity to truly optimise the design for an optimum production flow as well as a high focus on employee well-being and energy efficiency. The design phase included energy modelling to reduce the heating effect from sunlight, selection of building envelope materials with improved thermal insulation properties and energy efficient interior and exterior lighting.

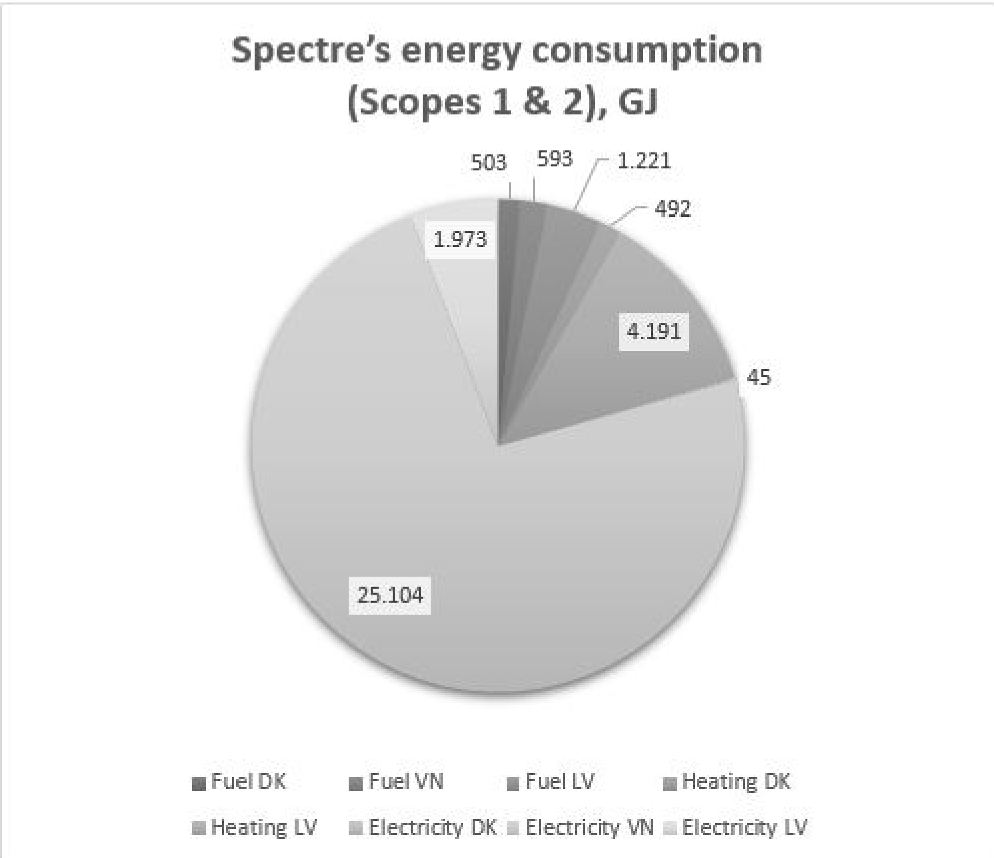


Energy and GHG emissions
Switch to renewables within reach

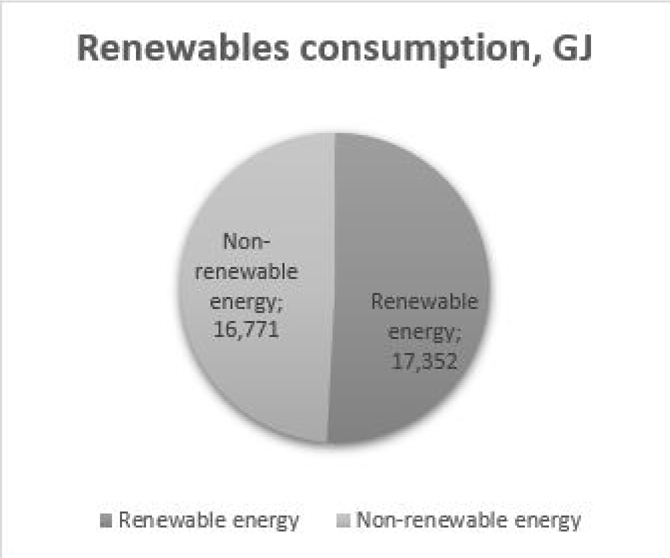
Business operations and manufacturing inevitably require the use of energy. To mitigate climate change, we work towards reducing the energy expended per garment and reducing the use of energy produced from fossil resources.

Key Performance Indicators					
Area	Unit	20/21	21/22	22/23	YoY Change
Energy consumption, Scopes 1 & 2	GJ	16,758	22,591	34,123	*51%*
Energy intensity, Scopes 1 & 2	GJ/ mil. min	157	122	128	*5%*
Share of renewable energy	%	58%	55%	51%	*-8%*

In our own operations, most of energy was consumed in Vietnam as electricity for production processes, air conditioning, lighting, ventilation and other equipment. That is why our focus has been on increasing renewable energy use in our facilities in Vietnam. Our Denmark offices and the two facilities in Latvia owned by Spectre (out of our four production sites), purchase certified renewable electricity. Our Denmark offices receive district heating produced predominantly from woodchip burning which is a renewable heat source.



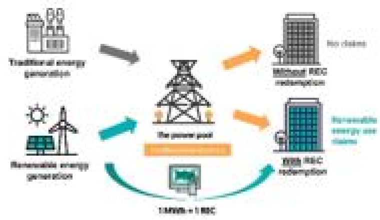
By launching our new factory, our energy consumption rose proportionally to the increase in production output while energy intensity (energy per minute produced) stayed almost unchanged. We had planned to increase the share of renewables in 2022/23 and those plans included launching rooftop solar system in the new An Giang factory. However, due to delays in bringing the rooftop solar system in An Giang online actually resulted in a decrease in the share of renewables groupwide.



Vietnam – the rising powerhouse of renewables

Vietnam has made great strides towards increasing the share of renewables in the national grid, becoming a leading nation in Southeast Asia.

We utilised the roof area of our Nam Dinh factory to install a rooftop solar system which now produces about 8% of our total consumption. We have also installed rooftop solar system in our An Giang plant, which is expected to produce about a third of total electricity consumption when connected to the grid. Due to limited roof area suitable for panel installation and the variability of output, we will never be able to cover all our electricity consumption with on-site solar systems. Therefore, we are exploring purchasing renewable energy certificates (RECs) to cover the remaining amount, which would allow us to switch to 100% renewable electricity. The broader benefit of purchasing RECs is that it additionally incentivises green energy development in Vietnam providing additional profit from sale of RECs.



GHG emissions from fuel combustion in our own vehicles and facilities make up 0.3% of total emissions. We are addressing that by gradually switching to electric vehicles (fully electric and plug-in hybrids) and expect to see reductions in the coming year. Our facilities in Latvia are heated by renewable energy produced in wood pellet-fuelled boilers.

Getting the full picture of our GHG emissions

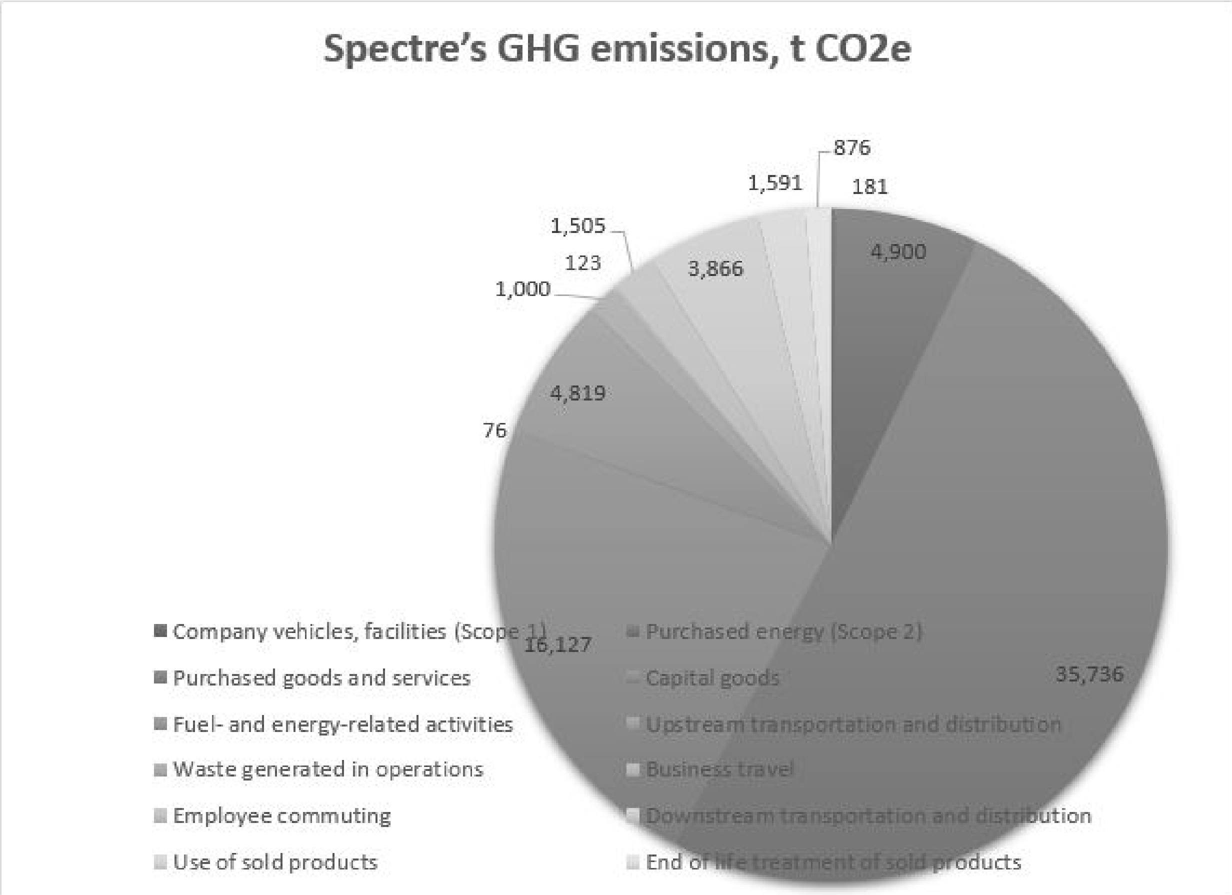
The 2022/2023 financial year was the first time we did an emissions assessment including value chain emissions (called Scope 3 according to GHG Protocol) as well as from our own operations (Scopes 1 & 2). The only exception is the assessment of outbound deliveries of readymade products which we are still implementing. This helps put into perspective what would be the most efficient steps to reduce our impact.

Key Performance Indicators					
Area	**Unit**	**22/23**	**21/22**	**20/21**	**22/23 on 21/22 change**
GHG emissions, Scopes 1 & 2	t CO_2e	5,082	2,620	1,849	*94%*
GHG emissions intensity, Scopes 1 & 2	t CO_2e/ Mmin	19.1	14.2	17.4	*35%*
GHG emissions, Scope 3	t CO_2e	65,719	-	-	-
GHG emissions intensity, Scope 3	t CO_2e/ Mmin	247.0	-	-	-

Our climate goals must align with the 1.5 °C scenario. Our GHG emission assessment was our first step to setting reduction targets. We have committed to set near-term (5-10 year) company-wide emission reductions targets by 2025 in line with the SBTi. Over the coming year, we will be developing the carbon emissions targets and validating with the Science Based Targets initiative.

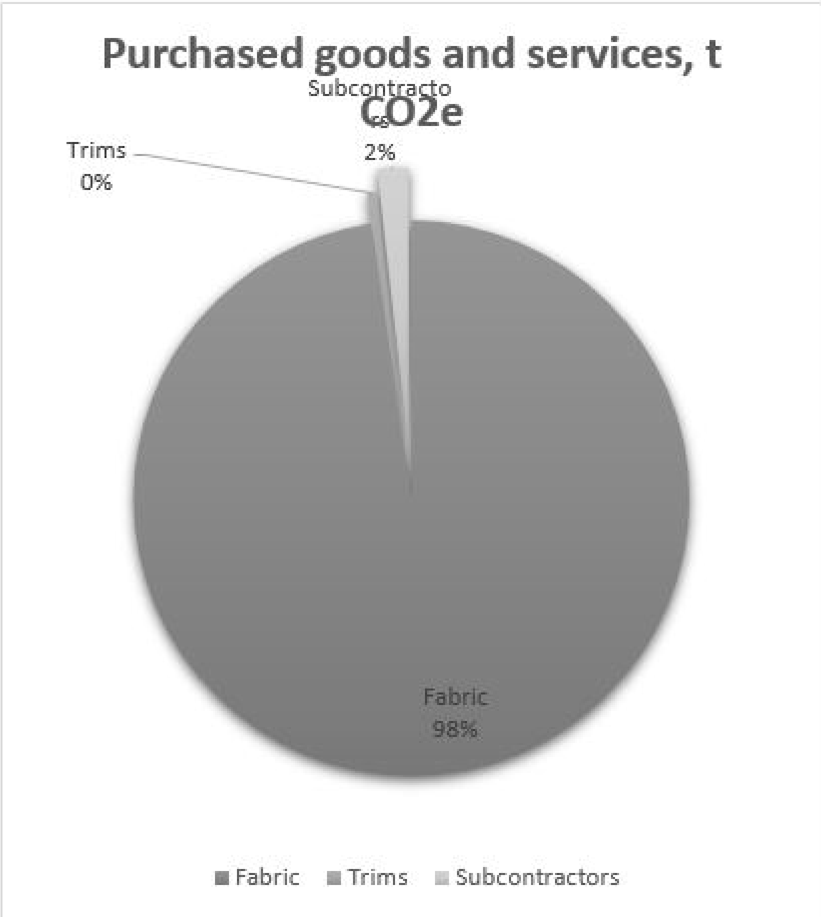
SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

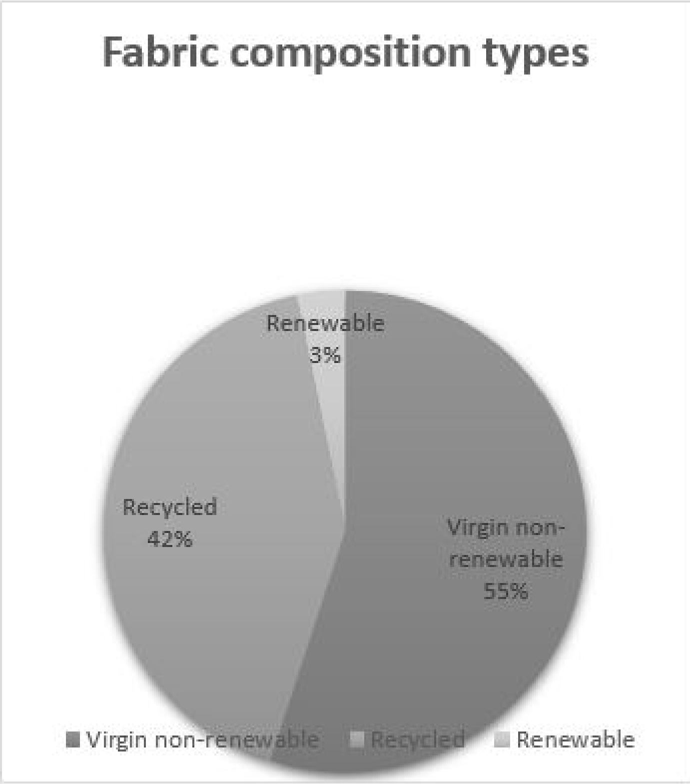

Spectre's GHG emissions, t CO2e
876
1,591
181
1,505
4,900
123
3,866
1,000
4,819
76
16,127
35,736
Company vehicles, facilities (Scope 1)
Purchased energy (Scope 2)
Purchased goods and services
Capital goods
Fuel- and energy-related activities
Upstream transportation and distribution
Waste generated in operations
Business travel
Employee commuting
Downstream transportation and distribution
Use of sold products
End of life treatment of sold products

Materials matter
Major role of fabrics and trims

As is characteristic for a manufacturing company, the majority of emissions stem from purchased goods and services, more specifically the fabrics and trims that account for up to 98% of GHG emissions in the purchased goods and services category, with subcontractors making up the rest.



The fabrics and trims to be used in the garments are determined by our customers, which means that the climate and environmental impacts of the products largely depend on the brands we partner with and their targets and ambitions. Several of our customers have set targets on circularity of materials in use or labelling denoting the use of preferred materials such as made of recycled or otherwise responsibly sourced raw materials. 3,151 tons of fabric were purchased in the reporting year. Recycled content made up 42% of this fabric. This is well above the expected requirements of future EU initiatives. However, renewable materials like wool, cotton, lyocell etc. make up only 3% of the total purchased amount.



Waste for some, a resource for others

In terms of GHG emissions, non-hazardous waste accounts for 1.4% of our total emissions including the value chain. We use waste emissions intensity as our KPI as a great aggregate of all waste handling improvement activities. Any improvements in reducing the amount of waste or switching to a better waste treatment method will show in the KPI. The reduction in this indicator has been achieved mainly through improved documenting of waste recycling volumes.

Key Performance Indicator					
Area	Unit	20/21	21/22	22/23	YoY Change
Waste GHG emissions intensity	t CO_2e/ Mmin	4.90	3.82	3.76	*-2%*

Our main source of waste is fabric scraps. Currently, most of the waste is disposed either for landfilling or incineration. There are few possibilities to reuse them, so for many years we have been exploring possibilities for recycling them, as new technologies are developing and becoming more accessible. We are working with potential recyclers both in Asia and Europe to set up recycling of the fabric scraps.

In the past year, we have trialled chemical recycling which could be a turning point. Chemical recycling can separate dyes in the process, which means that fabrics would not have to be separated by colour as in mechanical recycling. A quarter of all fabric were made of 100% polyester, which lends itself to chemical recycling and is the share that we can aim to recycle in the coming years. Energy recovery treatment remains as an option for the fabric waste where recycling is not yet feasible.

Applying the lessons from fabric recycling trials

Textile waste from production has high potential for recycling in a way that retains more of the value embedded in the material compared to post-consumer waste. That is because contamination can be eliminated, and the source and raw material content is known.

Early in 2023, we trialled recycling fabric scraps from the cutting process with New Retex, a Danish company. Our learning was that the applicable method of recycling (chemical, mechanical) and resulting raw material are determined by the type of textile recycled. While recyclers can process pure polyester fabrics free of charge, there is low demand for lower-value recycled fibres. Hence, costs for recycling fabrics with a blend of fibres or laminate fabrics with a membrane can be high. Therefore, we intend to initially roll out recycling of pure polyester fabrics.

As opposed to fabric waste from the garment manufacturing process, most recyclers are geared to process post-consumer waste, so apparel manufacturers must set up their own processes for sorting and shipping fabric scraps.
Due to current recycling restraints, we believe that if brands were to consider recycling costs in the design phase of the product, they would be more motivated to make more circular material choices.

In case of leftover fabrics, the larger part is being destroyed. However, we regularly find opportunities for reusing the materials by donating them.

Putting leftover fabrics into crafty hands

We always try to prevent waste, but leftover fabrics or trims that cannot be used in production do occur as an unavoidable consequence of the production process.

Spectre Latvia has always looked for ways to donate the materials for charity purposes. In the past year, we have donated materials to the Latvian Academy of Arts where they are made into apparel by future designers studying there. Materials are also donated to schools and kindergartens across in Latvia, where children use the materials for various crafts. Some of the materials were donated to animal shelters in Latvia, to be made into bedding and mattress covers for pets left without owners.

Handle with care – hazardous waste and chemicals

Our production process does not involve the use of specific chemicals. We use chemicals for tooling and maintenance, R&D and some spot cleaner. These are managed according to legal and Higg FEM best practices for health and safety and waste management, as well as the requirements of our customers to ensure consumer safety. Additionally, we control any possible impacts on the environment, and we provide regular training for our workers on safe and proper handling. This involves procedures for evaluating and approving any of the chemicals used in maintenance and tooling.

Sources of hazardous waste are also limited to maintenance (expired, used chemicals, empty cans, used rags), regular office appliances (batteries, electronic waste, ink cartridges) and spent or expired first aid medical supplies. In the past year, the total amount of recycled hazardous waste was 550 kg and 294 kg incinerated by authorised waste treatment companies.

Emissions on the move

Special Delivery – Greener Solutions for Logistics

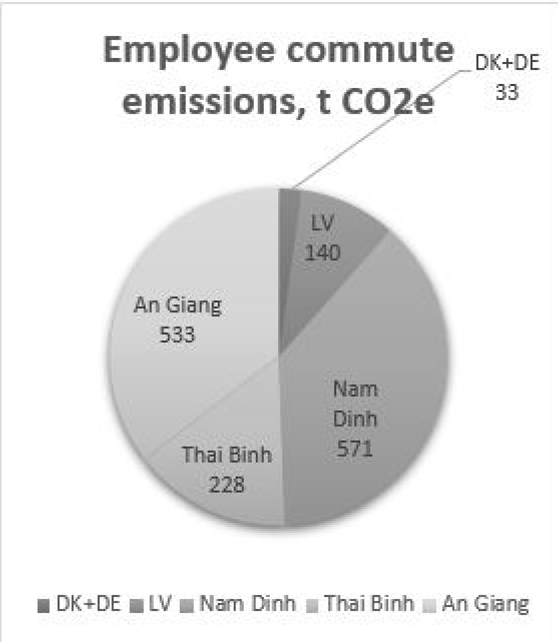
Getting the materials to the factories and delivering the finished product to customer warehouses is the fourth-most significant source of GHG emissions. Inbound, outbound and internal deliveries account for 6.8% of our total GHG emissions.

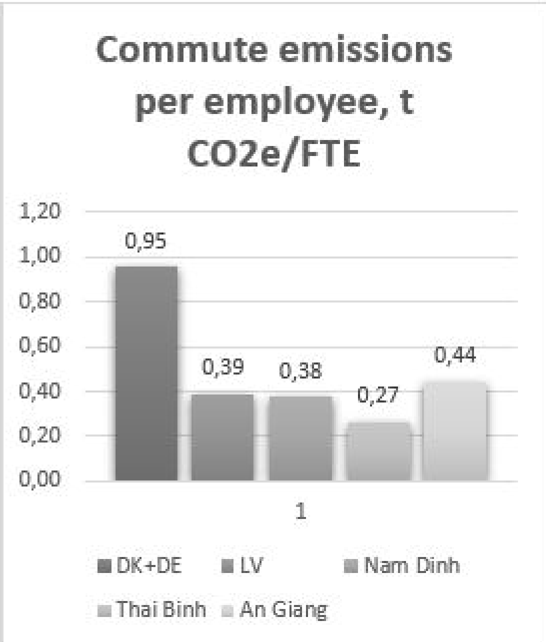
Together with our logistics partner we offset GHG emissions from our sea freight deliveries amounting to 48.8 tons of CO2e by purchasing marine biofuel. This is our way of contributing to the shift to renewable fuels in shipping. HVO fuel is produced from used cooking oil and other fatty waste products.

Air freight deliveries have outsized impacts

Expedited deliveries by air freight have the largest impact on emissions as the speed of delivery is paid for not only in dollars, but also by the environment in roughly 100 times more GHG emissions than an equivalent sea freight delivery. This emphasises the always present trade-off between reducing climate impacts and ensuring work for the production lines, which calls for meticulous planning and a transparent dialogue with the customers.

The commute matters for employees and environment
Sewing requires a lot of manual labour, which means that worker commuting is also a source of emissions, accounting for 2.1% of total GHG emissions. We did our first-ever employee commute survey to find out what ways the employees see for Spectre to improve their commute and reduce environmental impacts. Our approach to encouraging employees to choose more sustainable transport for their daily commute is tailored to the local context. We have installed charging for EVs at our Danish headquarters and main facility in Latvia, we have installed charging spots for electric motorbikes in An Giang and we provide company bus services for employees in Latvia on several routes not covered by public transit.





Reducing our impacts based on risks
Water consumption improvements in An Giang will show next year

In our own operations, water is used mainly for household purposes (hygiene, drinking, cleaning etc.), which means we have limited direct impact on water resources.

Key Performance Indicators								
Area	**Unit**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**YoY Change**
Water consumption	m3	8'762	12'758	12'122	11'999	17'542	48'983	*179%*
Water intensity	m3/ FTE	8.7	11.5	8.8	8.0	6.8	12.3	*81%*

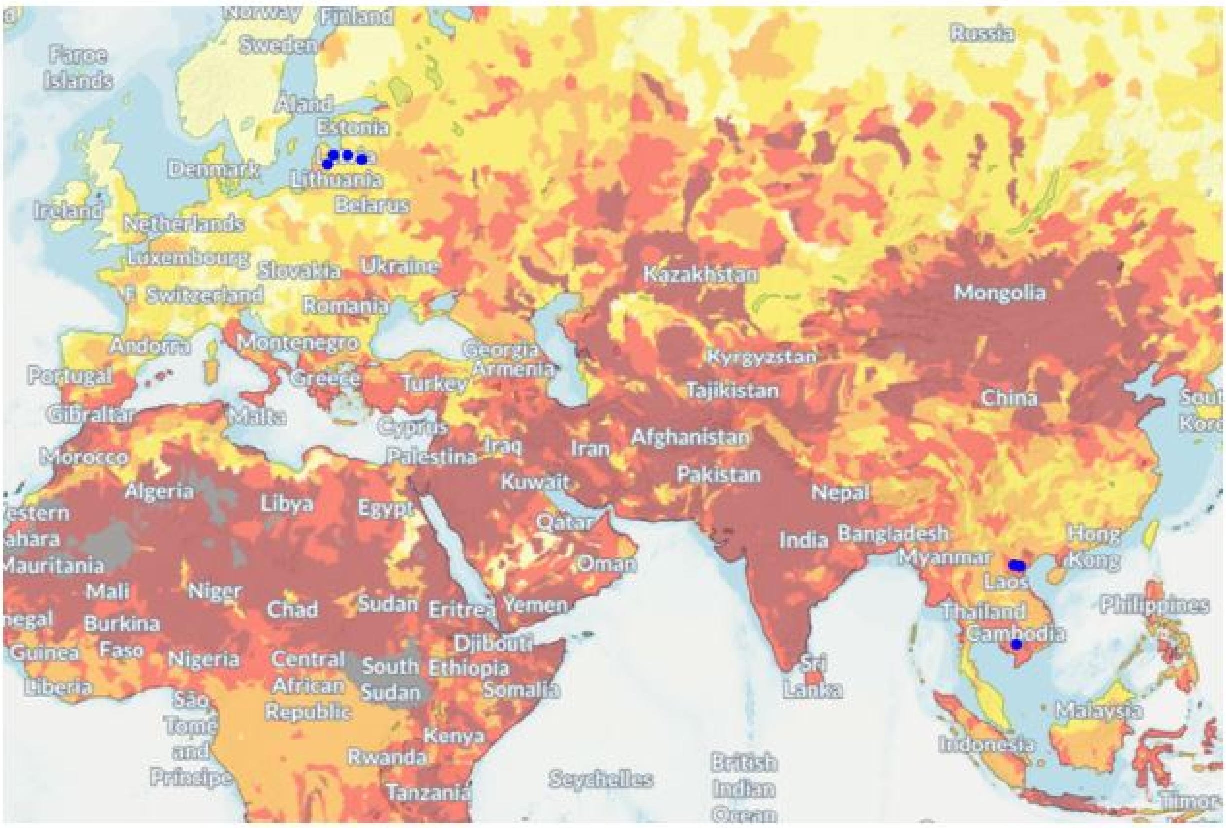
In the past year, water intensity considerably increased, as we accounted also for water consumed in the construction process of our An Giang factory and for watering of greenery, as South Vietnam experienced an extraordinarily dry season, while the grass and trees were establishing in the new site. We expect this metric to drop significantly in the following year as the one-off factors will diminish. On the positive side, the rainwater harvesting system installed in An Giang will keep producing substantial savings.

Water harvesting for self-sufficiency

In designing the new An Giang factory, we decided to install a water harvesting system so the rainfall could be collected in an underground tank and used in grey water applications such as flushing toilets and watering greenery. 41% of all water used last year in An Giang or 11,221 m^3 has been harvested on site, making the factory environmentally more self-sufficient.

Evaluation of water risks helps to focus on the right impacts

An assessment using the World Resource Institute Aqueduct Water Risk tools has revealed that the North and South Vietnam, where our factories are located, are exposed to flooding risks and pollution due to untreated wastewater. Moreover, there may be seasonal drought in South Vietnam and Latvia. That requires us to ensure high standards for wastewater management and defining our approach to mitigating possible flooding damage in the communities in the future, especially considering potentially rising sea levels due to climate change.



Locations of Spectre's facilities on the overall water risk map. Source: Aqueduct Water Risk Atlas

Our business model's main impacts on water resources lie in the supply chain, especially the dying process. We have yet to establish a process to ascertain the specific impacts on water resources of our material suppliers. As members of Sustainable Apparel Coalition (SAC), we plan to utilise Higg FEM assessments and promote the adoption of this tool among our suppliers to increase transparency and improve our due diligence process.

Wastewater treatment

The amounts of wastewater produced are assumed be equal to water consumption, as we have not established a way to account for water spent on watering greenery instead of going into sewage system. All locations except the Kalnciems factory in Latvia received water from municipal services (and water harvesting in An Giang), and wastewater was diverted to municipal wastewater treatment sites. The Kalnciems factory also was connected to municipal services in January 2023.

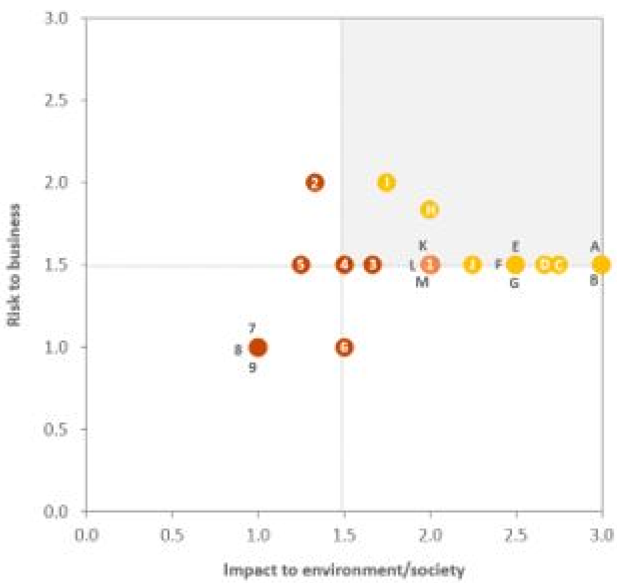
Expansion of production capacity at Thai Binh site also requires reconstruction of the sewage system which will be done in the coming year. Our goal for the coming year is to develop our wastewater monitoring by requesting wastewater testing.

Social

Social impacts throughout the value chain

This year we took a more nuanced view of assessing the impacts of our business model throughout the value chain. There are many important impacts we address in our operations however we see that the biggest challenges lie in our supply chain. These conclusions will inform our approach in the coming years as we set out to define our social goals and action plans until 2030.

Own operations	Value chain
1. Health and safety	A. Working time
2. Fair compensation	B. Health and safety
3. Working time	C. Measures against violence and harassment
4. Measures against violence & harassment	D. Adequate wages
5. Diversity & equal pay	E. Gender equality and diversity
6. Surrounding communities	F. Child labour
7. Worker rights	G. Forced labour
8. Parental leave	H. Communities' civil and political rights
9. Data privacy	I. Health and safety of consumers
	J. Social dialogue
	K. Secure employment
	L. Collective bargaining
	M. Adequate housing and sanitation



Labour standards are key for a fair and safe workplace

Eliminating excessive overtime and ensuring compliance with other working time regulations (3, A) is the most common challenge across the apparel industry and one we have aimed to eliminate in our operations this year. Although there are low risks of severe trauma in our operations, the extensive use of manual labour in apparel making means that health and safety (1, B) should always be the key concern, which requires a systematic approach to training and equipment to minimise such risks. Employers throughout the supply chain must pay wges that can provide a decent standard of living for the workers (2, D).

Advancing respectful values and responsibility to local communities
In societies without firmly established social norms on gender equality (5, E) and zero tolerance towards harassment or violence (4, C), the employer is responsible for ensuring that all employees are treated with respect. Due diligence is necessary to ensure that human rights such as no forced or child labour (F, G) are fully respected across the supply chain. Having suppliers in different countries means that we must always ensure that our internal company policies are in place on civil, political, collective bargaining and other rights of people (H, J, L) in our supply chain and in our own operations (7).

Markets are dynamic and swings in demand or political decisions on duties or tariffs can boost or decrease the number of orders. That is why job security also can become an issue for workers across the value chain (K). Being the main employer in several local communities, Spectre offers job opportunities, but also can impact communities negatively (6) in case of downsizing. when the industry faces demand downturns.

The following paragraphs outline our approach to addressing these material issues in our operations and the value chain as well.

Life at Ukraine partner factory continues after a month under siege
This year was a stark reminder that above all, peace is the prerequisite for the most fundamental social accountability and sustainability principles. We started cooperation with a partner factory in 2021 to expand the cooperation and set up permanent production in Chernihiv, a city in the Northeast of Ukraine, where our partner factory is located. These plans, and most importantly the lives of all Ukrainians, were struck down by Russia's full -scale invasion of Ukraine on February 24, 2022. Chernihiv suffered intense bombardment and a siege with no safe routes to flee the city until the battle in the North of Ukraine ended and Russian forces retreated. Since end of April 2022 production has been running stable, and road transport has been functioning quite well.

Spectre's management has been in regular contact with the director of the partner factory since the breakout of the war, looking for ways to provide help for the workers. Our main way of helping was to work hard to ensure production orders, so the employees could ensure their livelihoods and somewhat normal lives while their country was at war.

All aspects of cooperation were impacted by the war, from the logistics of delivering materials and receiving the finished product through difficult routes to providing technical assistance remotely. The factory management has shown strong determination in keeping the production running and care about their employees during these extremely difficult circumstances.

Even in extraordinary circumstances, we are committed to working with our partner factory on sustainability and social responsibility issues. We have onboarded the factory to use the Higg Index tools to carry out a self-assessment, as we have halted on-site visits for the duration of the war. Our customers are also seeking to do their own due diligence and have conducted a remote social audit.

Spectre's support for Ukraine
Spectre donated a total of 25,000 hospital gowns, produced by Spectre, to be distributed to medical and treatment facilities in Chernihiv and to the children's hospital in Kherson. 900 metres of fleece fabrics were shipped to our partner factory to be made into clothes and blankets and distributed among citizens in the area.

Spectre's employees were active in self-organising in support of the Ukrainian people, including fundraising by employees in Denmark. Spectre Latvia organised volunteering to prepare masking nets for the Ukrainian armed forces using leftover fabrics. Our employees volunteered their spare time, and about 400 children from local schools visited to lend their hand in tying the fabric scraps to the nets and send supporting thoughts to the Ukrainian people in their struggle.

Spectre Latvia also opened the doors to Ukrainian refugees willing to make their own living during their stay in Latvia. 14 Ukrainian women received training and worked as sewing workers until they deemed it safe to return to Ukraine. Employees organised donations of household goods needed for everyday use to help the refugees settle in during their stay.

Employee diversity and development

Area	Unit	20/21	21/22	22/23	YoY change
Gender diversity	%	77%	72%	70%	*-2%*
Gender diversity management	%	50%	46%	46%	*1%*
Employee turnover	%	36%	37%	41%	*11%*

Spectre has a clear non-discrimination policy for people of any locality, religion, gender, sexuality etc. Twice a year SA8000 audits check our compliance with this policy in all our factories. Our non-discrimination policy applies also to hiring decisions in management positions. However, we do observe differences among genders in terms of gender distribution in management and overall.

We also see more training hours received by men than women, a difference observed across all countries of operation. We plan to conduct a thorough analysis to identify the best approaches Spectre could take to promote more equal career outcomes.

Temporary employment is practiced only in rare cases (1 employee in Latvia) when a position is filled until the return of an employee on a longer-term leave such as maternity leave. According to company policy all benefits apply equally to full-time and part-time employees.

Our employee satisfaction survey reveals that 4% of employees in Latvia and 2 % in Vietnam express that they have experienced some form of discrimination or harassment, which is close to the results last year. We provide numerous channels to all employees for airing grievances, including anonymously and confidentially through our whistle-blower reporting channel. The cases we have reviewed have been concerning rivalry between departments, disrespectful behaviour and harassment of subordinates and they have been addressed involving management.

Employees receive regular performance appraisals depending on the nature of their work. Production workers in Vietnam receive a monthly 6S appraisal, and most other employees receive an annual appraisal.

As our contribution to the local communities, Spectre Latvia participated in a government programme to provide on-the-job-training for registered unemployed persons. Spectre Latvia provided theoretical and practical training with qualified and experienced supervisors who provided the skills training necessary to do the job well. 17 trainees completed the programme and received documentation verifying the acquired skills. Five of these trainees became Spectre employees after the conclusion of the programme.

Health and safety

Major accidents halved compared to last year

This year saw fewer major accidents (with resulting absence of more than 3 days) both in Vietnam and Latvia (1 each). We did not have any instances of occupational disease in the period.

Health and safety indicators, 2022/23

Location	Injury rate	Lost day rate	Absentee rate
	Major accidents per employee	*Lost days due to injury per employee*	*Days of absence per employee*
Vietnam	0.0031	0.009	1.2
Latvia	0.0055	0.036	22.5
Denmark/Germany	0	0	16.1
Group average	**0.0033**	**0.011**	**3.3**

The return to normal after end of the COVID restrictions has also meant a return to normal in absentee rate, and less down-time due to lockdowns have greatly improved capacity planning which was a significant problem in Vietnam in the previous year. Absentee rate in Denmark this year rose due to non-work-related long-term sickness of two employees. The sickness absence in Latvia remained about the same as last year with non-work-related long-term sickness absence among older employees making up a significant part.

Key performance indicator					
Area	**Unit**	**20/21**	**21/22**	**22/23**	**YoY Change**
Absentee rate	Days/ FTE	7.6	9.2	3.3	*-65%*

Safe work is about having the right procedures and mindset

We manage occupational health and safety according to local legislation and the SA8000 standard. This includes regular internal audits and external audits two times a year. We also have multiple external audits in our facilities initiated by our customers that review our procedures and practices of managing human rights, health and safety and fire safety at the facilities.

Within the framework of our Spectre Factory Model, we set up our facilities to provide a safe and comfortable working environment with modern machinery and technology, ergonomic workstations and plenty of natural light and air conditioning in our Vietnam factories, which is very important for worker well-being.

We provide frequent training with practical examples and live drills to build awareness and keep employees vigilant to the risks in their daily work, and we provide training for emergency situations as well.

Health and safety committees are set up in each subsidiary of Spectre. The committees are responsible for:
- Conducting regular OH&S committee meetings
- Performing an annual OH&S risk assessment together with competent institutions
- Providing health and safety training (first aid brush up for first aiders, training relevant to work situation, fire and emergency drills)
- Planning mandatory health check-ups (in Vietnam, production workers will have health check-ups twice a year)
- Any other related tasks.

OH&S Committees include management and worker representatives and report to the managing director. Of all employees, maintenance and tooling employees are exposed to higher risks performing tasks such as machining, welding and handling chemicals.

Ensuring social and labour standards
Frequent external audits provide transparency, but also duplication of efforts

In the 2022/23 financial year, our facilities hosted third party social and labour audits performed according to various frameworks such as:
- SA8000
- Fair Foundation Code of Labour Practices
- The FLA Fair Labor Code
- The SLCP Common Assessment Framework
- Audits from two customers checking compliance with their codes of conduct.

	Fair Wear	SA8000	Customer framework	vFSLM (SLCP)	FLA
Nam Dinh	1	1	1	1	1
Thai Binh	1	1	1	1	1
An Giang		1	2		
Spectre Latvia		2			

Due to travel restrictions in Ukraine, it has not been possible to conduct on-site audits, however, at the end of our finance year 2022/23 it was agreed with our partner factory to conduct a self-assessment during spring 2023.

Our SA8000-certified social accountability management system ensures that we have a systematic and continuous improvement approach to managing our compliance with labour standards and responsiveness of the company to concerns voiced by the employees. Currently, only the An Giang factory is not SA8000-certified and is expected to complete the process by summer 2023.

Third-party auditing provides additional transparency for our customers. As members of the SAC, our goal is to promote the use of the SLCP Common Assessment Framework and the adoption of the Higg FSLM assessment both by suppliers and in the due diligence process of customers.

There is very little difference between the various auditing frameworks whereby findings in the various audits are generally the same which to us hints to a lot of redundancy and unnecessary strain on our resources. While we are always open to accommodate the due diligence efforts of our partners, we would appreciate more consolidation and/or mutual recognition of these audits among our customers.

Nam Dinh and Thai Binh factories to be fair trade-certified

Fair Trade Certified is a social accountability standard closely aligned with SA8000 and allows the brands to make direct contributions into a worker-controlled fund in each factory. The contribution is a percentage (may vary from brand to brand) of the purchase price of the finished garment. An elected worker committee will decide how to use these funds. We see this as a great way of involving workers and strengthening their self-organisation skills in an inclusive way.

We are working to complete certification for Nam Dinh and Thai Binh factories in summer 2023 and are happy to thereby contribute to our customer reaching their social responsibility goals.

Applying high standards to subcontractors

In 2022/23, sewing subcontractors accounted for 16% of the total amount of sewing minutes and print (6 subcontractors) or embroidery (2) subcontractors are used for rarer occasions when we cannot perform the operation in-house. Therefore, the part of work we outsource is relatively small and we maintain a very high degree of control over the production processes. Even so, we make sure that any core subcontractor (sewing, print or embroidery) use is approved by the customer and that the subcontractor meets requirements of customer’s code of conduct and other guidelines.

As a SA8000-certified company, we continuously monitor how our subcontractors respect legal obligations and human rights. In case a subcontractor holds an SA8000 certification, we review the audit reports and monitor remediation of non-conformities. For core subcontractors that have not certified a labour, H&S or social accountability management system, we perform annual audits to monitor their compliance with Spectre’s Code of Conduct and appropriate legal requirements or review audit reports of other credible social accountability standards, and track remediation of non-conformities.

Remuneration

Living wage is our benchmark to make sure no one falls behind

According to our Employee Satisfaction Survey, 95% of our employees in Vietnam fully or partially agree that their salary is appropriate for the work they do. However, there are some categories of unskilled labour, like cleaning staff, who earn less than most workers. We care just as much about them, since paying the legal minimum wage is not a guarantee for earning enough for a decent living.

We perform monthly monitoring to identify any cases that an employee would receive less than the living wage benchmark. We use a Wage Indicator Foundation benchmark in Vietnam and our own calculation based on the SA8000 guidance for Latvia. We compare employee wages, excluding any irregular bonuses and overtime pay, as employees should be able to earn a living wage within standard working hours.

On average in 2022/23 we had 0.8% average monthly instance of employees receiving below living wage. Most employees earn well above living wage without working overtime. Some exceptions to this occur, but we aim for zero incidence. The factory management reviews cases when employees receive less than living wage to define appropriate steps to avoid this in future.

Wages are transparent to our customers
In addition to this, we submit data to our customers for Fair Labour Association (FLA) wage analysis, and our remuneration is reviewed in Fair Wear Foundation (FWF) audits, which makes our wages transparent to our customers. The feedback we have received in these assessments performed by one of our large, international customers is that the wages are well placed compared to other Tier 1 suppliers.

Working hours
Excess overtime cases reduced by 85%

Outdoor apparel industry is subject to high seasonality which is a consequence of the old traditions in the industry defining specific, critical market launch dates for the new products. To ensure we can deliver products timely to our customers, we use e subcontractors and overtime (OT) work, primarily in Vietnam. This also provides an opportunity for workers seasonally to make an extra income at a higher rate than regular working hours.

Local legislation sets specific limits to how much overtime is allowed in specific periods (day, week, month) as well as restrictions for specific groups such as pregnant women and women with small children and other provisions with daily working hours being limited and OT being restricted. Whenever OT is necessary, we develop OT plans, and we make sure that employees voluntarily agree to participate in these.

However, the culture of utilising OT to solve urgent issues and employee willingness to work more OT to earn more at an increased rate meant that we still had too high number of cases of excessive OT. In June 2022, we tackled this issue by tying the bonuses of managers to an overtime KPI, so they have a very tangible incentive to avoid any excess OT cases. As a result, we have decreased excess OT cases by 85% which showed the effectiveness of such an approach.

Employee involvement and social impact
Survey helps to focus efforts on employee satisfaction improvements
We are continuously working to establish DRIve – Spectre’s Core Value Model – as the backbone of our employee culture. We conduct an annual satisfaction survey to track our progress and identify what sources of stress affect employee satisfaction the most.

This year we see that employees feel less secure about their jobs due to some downsizing both in Latvia and Vietnam. The survey shows that these changes have also spilled over into lower trust between employees and less team spirit. That said, overall, the engagement score and overall satisfaction remain high although having decreased compared to last year.

The survey is part of a process for the management team to analyse employee satisfaction, review employee suggestions to decide on measures to address employee concerns. This also includes discussions with the Social Performance Teams which include elected employee representatives.

Location	Engagement score*
Spectre Vietnam	83%
Spectre Latvia	77%

**The engagement score is calculated from a subset of questions that reflect motivation and satisfaction according to a shortened version of Utrecht methodology.*

Employee representation and collective bargaining
Trade unions are represented and involved in labour relations in our Vietnam operations and Denmark. In Vietnam, a Trade Union Committee is voluntarily elected by our employees to represent the employees' interests and legal rights in a dialogue with factory management. The trade union is financed by member contributions and payments from the factory equal to 2% of social insurance payments to the government. These funds are used by the trade union for the benefit of employees (e.g. support in case of difficulties and bonuses for life events) and also cover superior trade union dues.

We have not implemented a unified policy across all sites on issues that should be included in collective bargaining agreements with our employees, as trade union membership levels and local legislation differ. Trade unions are involved in adopting our company labour regulations which, among other topics, include provisions on H&S. Workers can volunteer to be appointed to a H&S committee to participate in monitoring H&S management.

Social Performance Teams are our way of following SA8000 guidelines on how to involve elected employee representatives into monitoring performance of our social accountability management system and labour issues and provide their opinion in discussions with management.

Social activities build team spirit
In November 2022, Spectre's employees united in the celebration of Spectre's 75th anniversary. With cultural and geographical differences, we celebrated the anniversary in several different ways. Dinner and dancing, theatre events, banquets, artistic performances and raising the Spectre voice across social media.

Spectre founder Thomas Poulsen's VW Beetle – it has been in the company's possession since 1974

Celebrations in Latvia

Spectre produces performance apparel, so our employees love participating in sports events like the Royal Run event in Denmark, the Riga Marathon in Latvia and the football tournament for employees in Nam Dinh, Vietnam.

This Christmas, our employees in Latvia competed for which department would craft the nicest Christmas tree made from leftover or waste materials to encourage a circular no-waste thinking among our employees.

The largest social events in Vietnam take place at the end of the year which saw a celebration at all three factories in Nam Dinh, Thai Binh and An Giang. End of the year is the time when the employees living Spectre's values the most are honoured, and all employees gather in a fun celebration.

Every year, our employees in Latvia volunteer to donate to the national blood bank to help people facing medical emergencies. A mobile blood donor service bus came to our factories to provide the opportunity to donate on-site.

Peak partnership with Emma
Spectre teamed up with Emma Østergaard in her goal to climb Mount Everest. Emma became the youngest Danish female to summit Mount Everest. The cooperation with Emma was an opportunity for us to build understanding about the performance of garments in extreme conditions.

Another expedition to Kilimanjaro is planned for August 2023 involving our production and innovation team which is also a great opportunity to gain additional knowledge about athlete requirements in different climatic conditions.

"I selected jackets, fleece and hiking pants from Spectre. As their athlete, I have tested the clothes at home in my training, and now it's time to bring them for the expedition.

I have selected and focused on specific features and textiles, such as fleece grid, stretch, breathability and wear resistance. A bit of nerdiness, which is really great! When the expedition is over, Spectre and I will use the feedback and develop together. A fantastic collaboration."

– Emma

Donations at inauguration of An Giang Factory
As part of the celebration and to give back to the local community for its support on the establishment of production in the local area, Spectre together with Mammut donated gifts for the local government of An Giang. Mammut donated equipment to enable digital learning to a local school and Spectre donated funds for a roof over a playground, clean water drinking fountains, and 20 tricycles to a local kindergarten.

Governance
Sustainability cannot be summed up only in our impact on the environment or people. It is also about how we address this as a company. Considering stakeholders, providing transparency, engaging with others, setting goals and defining responsibilities are all prerequisites to sustainable management of a business.

Becoming B Corp-certified
We have been looking for a framework to measure how well we are doing as a responsible business. We found the answer in B Corp. B Corp certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.

Based on the B Corp assessment framework, we held multiple workshops to identify improvement opportunities and define action plans. Such actions included commitment to responsible company management included in the company articles of association, increased transparency and data gathering, and overall improved policies that affect employees and the environment.

We submitted a B Impact Assessment in the summer of 2022 and have now reached the long-awaited verification. We thus hope to become B Corp certified in the coming months. B Corp certification is a great learning experience that due to its holistic approach has been an opportunity for us to discover impacts on material issues.

Global challenges cannot be solved alone

In September 2022, we joined the leading sustainability association of the apparel industry: Sustainable Apparel Coalition (SAC). The membership gives us access to tools and peer learning opportunities that are key for further progress on sustainability. Being an SAC member comes with a set of requirements specific to manufacturers. Key among these requirements is: setting science-based targets and the deployment of Higg Index tools such as the Factory Environmental Module (FEM) and the Factory Social and Labor Module (FSLM), both at own operations and with suppliers.

We also became European Outdoor Group (EOG) members in late 2022. This industry association combines mostly brands that sell their products in Europe, and we were the first manufacturer to join the group. Besides providing market insights and organising industry events, EOG also engages members in multiple sustainability-related projects and provides a platform for peer learning on regulatory policy in the sustainability area.

Since 2010 we have been members of the UN Global Compact which is a movement based on 10 principles within human rights, labour standards, environment and anti-corruption. These principles are fully embedded in our CSR-strategy and day-to-day business. Membership includes submitting a Communication on Progress report annually.

We focus our efforts to contribute to four selected Sustainable Development Goals: Climate action, Decent work and economic growth, Responsible consumption and production, Partnerships for the goal.

Spectre is a member of the Danish Fashion and Textiles Industry Association (Dansk Mode & Tekstil or DM&T) with Spectre co-owner Jacob Klausen serving on its board. The association represents more than 375 companies and provides industry-specific and personal advice in HR law, trade law, CSR, technology and more. Spectre is also a member of Business Council Herning & Ikast-Brande (Erhvervsrådet), representing interests of 660 businesses in Central Jutland, Denmark, with co-owner Jesper Klausen as deputy chairman. The organisation is involved in lobbying on a local, regional and national level to improve the business environment for local businesses.

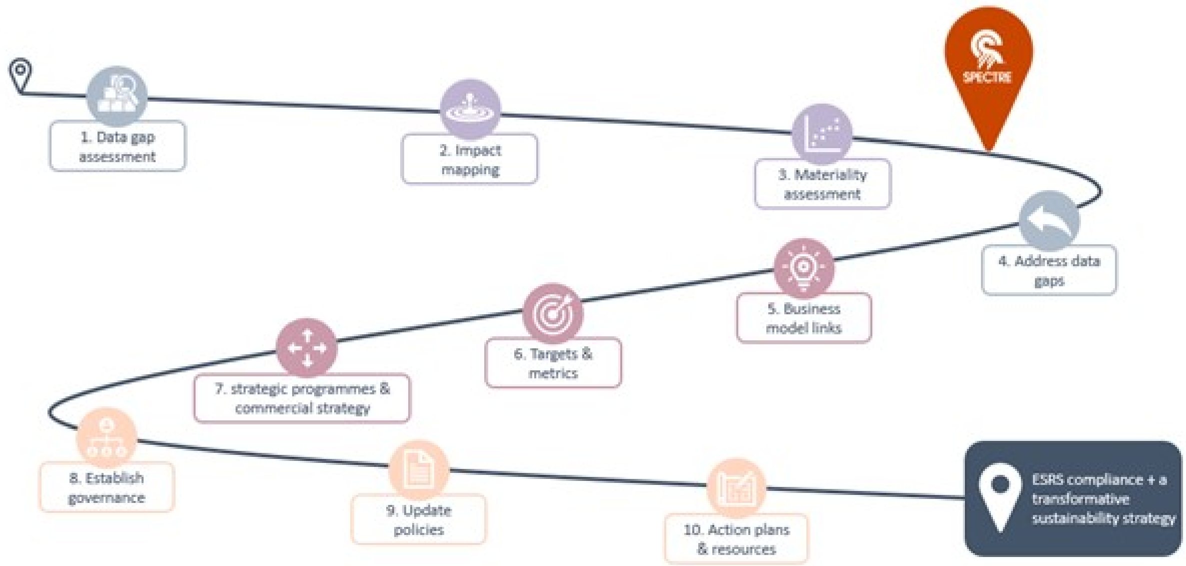
Spectre has not made any political contributions.

CSRD readiness assessment sets path toward improved governance
The EU is in the process of adopting and implementing the many initiatives that make up the EU Green Deal, the purpose of which is to accelerate a green and just transition. The most immediate part of this European regulation landscape is the Corporate Sustainability Reporting Directive (CSRD) and the associated standards – ESRS. Strengthened EU regulation on sustainability reporting will rapidly change the reporting landscape for companies operating in Europe. Spectre welcomes a regulatory and standardised reporting framework, and we have performed a readiness assessment which includes three tracks:

- ESRS materiality assessment
- ESRS data gap assessment
- EU taxonomy maturity

The main findings of this assessment will steer our approach to improving our ESG data management, strategic CSR goal setting and addressing our value chain impacts.

ESRS compliance informs strategy and data needs
The assessment was a very valuable exercise to outline the steps we need to take not only to set up the data needed for reporting, but also to identify gaps in our approach to strategically address sustainability and have the proper governance structure in place.

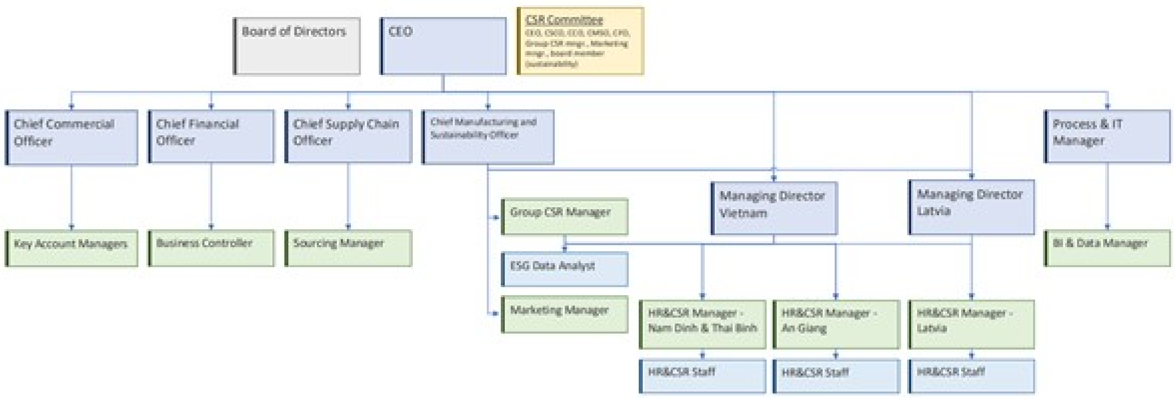


Management bonuses tied to sustainability progress
2022/23 was the first year when Spectre management bonuses were tied to sustainability progress. We see this as an important step to properly communicate and incentivise collective action and responsibility in the company towards achieving our goals. We see remuneration tied to sustainability progress as an effective and important way to anchor sustainability across the business and empower the organisation to execute effectively.

Strengthening roles, responsibilities and accountability
The assessment highlighted the need for a renewed approach to governance. Therefore, during 2023/24 we plan to review our current governance set-up to further strengthen roles, responsibilities and accountability throughout our organisation.

CSR is embedded in the company values and responsibilities across departments. Our current governance set-up is as follows:

- One of Spectre Group's **board members** has several years of experience as a sustainability executive and is part of the company's quarterly CSR Advisory Committee meetings (see below). Spectre Group's BoD also receives a quarterly CSR report which is integrated in the financial report.
- Currently, the **Chief Manufacturing & Sustainability Officer** is responsible for the CSR strategy development and oversees the execution of CSR plans.
- The **Group CSR manager** executes the CSR strategy, ensuring alignment of CSR procedures, policies and reporting across the group, coordinating groupwide initiatives and communicates progress on them to top management and local managing directors through a CSR Advisory Committee, CSR Team meetings and quarterly reports, as well as ensures public reporting on CSR topics.
- The **ESG data analyst** is responsible for ensuring sustainability data quality, and development of sustainability reporting.
- The **CSR Advisory Committee** meets quarterly to Report on KPIs, progress in the last quarter, plans for the next quarter and discuss the overall direction of CSR activities and new initiatives.
- **Local HR & CSR managers** together with relevant local departments ensure management of CSR according to set procedures and policies in compliance with management standards (SA8000, ISO 14001, ISO 9001), and employees as well as employee representatives are involved in decision making.



- The **Chief Commercial Officer** oversees the CSR activities related to customers.
- **Key Account Managers** together with Group CSR Manager and local HR & CSR Managers respond to and coordinate fulfilment of customer requests related to CSR. This cooperation is part of alignment of customer CSR goals and requirements with Spectre's policies.
- The **Chief Supply Chain Officer** is responsible for supplier policies on due diligence and sustainability initiatives in the supply chain, while the Sourcing Manager carries out the supplier due diligence and manages supplier sustainability data.
- The **Chief Financial Officer** oversees alignment with financial reporting and the business controller works on improving the integration of data from financial department into ESG reporting.
- The **Process & IT Manager** together with the BI & Data Manager assess the data management needs and implications on information systems and processes.

Since the 1980s, Spectre has had an Executive Board consisting of professional board members supplementing the owner representatives. The Executive Board consists of six members: five men and one woman who meet quarterly with full attendance.

Supplier relations – an area of growing importance
Our goal is to continuously build an even better value chain that minimizes negative environmental impact and ensures proper working conditions. Our criteria for selecting suppliers are:
- Auality performance;
- Delivery performance;
- Cost level (total cost);
- Service level and
- Ability to meet social accountability requirements and level of environmental management.

We recognise that supplier management is an important part of minimising risks in the supply chain. The main group of suppliers for Spectre by number and purchase volume are fabric and trim suppliers. In the year 2022/23 Spectre have purchased fabric and trim from 292 suppliers. Half of those were fabric suppliers while they account for 75% of purchased value.

In light of the EU Green Deal, EU based companies will likely need to assume a more proactive role vis-à-vis the impacts of suppliers going forward. This might also have implications on our role as a Tier 1 supplier to brands. We will be monitoring these developments closely.

Currently, we do a general sustainability assessment of suppliers when starting cooperation. Based on performance data of Worldwide Governance Indicators, of the top countries of origin of materials we purchase, we consider China and Vietnam as higher-risk countries which account for 12.4% of total purchases.

Country	Share by purchased value
Taiwan	38%
Hong Kong	19%
Italy	12%
China	6%
Vietnam	6%
Denmark	4%
Japan	3%
Switzerland	3%
Germany	2%
United States	2%

Spectre material purchase Top10 countries

We realise that we need to further improve the way we monitor and manage our suppliers to be able to accurately identify and address potential negative environmental and social impacts.

We consider materials produced in the countries of our operations as locally sourced. Local sourcing for materials included in the final product is limited to 7% in Vietnam and 3% in Latvia. However, we expect the Vietnam sourcing to increase in the future. The vast majority of materials are nominated by our customers. This does not include auxiliary production and packaging materials and supplies which predominantly are locally sourced.

Challenges as a Tier 1 supplier
We request suppliers to sign Spectre's Code of Conduct (CoC) which outlines our expectations about the management practices, policies and the products the suppliers produce. In 2022/23, we updated our CoC to

better align it with the frameworks that our customers are using, such as those of Fair Wear Foundation (FWF) and Fair Labour Association (FLA) as well as following the development of EU's Corporate Sustainability Due Diligence Directive (CSDDD). The Danish Fashion and Textile Association (DM&T) supported us in this process.

However, the deployment of the CoC with our suppliers showed how we will have to change the conventional approach to successfully assume an active role in managing supplier due diligence. 50% of suppliers signed our CoC and 19% more presented a brand CoC compliant with our requirements. The remaining 31% did not agree to sign the CoC referring to the fact that the brands choose them as suppliers. As a result, we will seek to engage the purchasing teams of our customers to cooperate more directly in the Tier 2 supplier due diligence.

Anti-corruption and whistle-blower protection
As a signatory of the United Nations Global Compact, we are committed to its principles including Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. As a company operating globally with suppliers in Europe, Asia and North America, we have a zero-tolerance approach towards bribery and corruption, and we comply with the UK Bribery Act and the national legislations of the countries we operate in.

We have set out an Anti-Corruption and Whistle-blower Protection Policy, regularly reassessing corruption risks and training employees subject to those risks. Clauses on anti-corruption are also included in Spectre's Code of Conduct which is communicated to core suppliers and subcontractors. In 2022/23, we have not found any violations of our anti-corruption policy.

Report Details
The reporting period is the business year starting 1 April 2022 and ending with 31 March 2023. The report also discloses information on material ESG topics as well as information on key events from the previous years for additional context and comparison. Data on previous years is provided on KPIs and other performance indicators where possible. Previous CSR report covering year 2021/22 was published in June 2022.

For further inquiries on CSR at Spectre, feel free to contact group CSR manager Krišjānis Dzalbe via email krisjanis.dzalbe@spectre.lv.

Statutory report on the underrepresented gender
The Group has an overall goal of being attractive at all time workplace for both sexes. Furthermore, it is the Group's goal that it is always that best qualified candidate who is offered a given managerial position.

In connection with both internal and external recruitment processes, efforts will be made to fill positions with candidates belonging to the under-represented gender.

During the year, the Board's target figure for the underrepresented gender was increased from 0 % in 2021-22 fiscal year to now 20 %.

Statutory report on data ethics policy
The use of data is fundamental for Spectre. It offers analytical returns that allow Spectre to strive towards better customer service, seamless cooperation, and a better place to work as an employee.

Working with data also comes with great risks and a significant responsibility. Cyberattacks, data breaches, low-quality data and system failure have become daily risks, and we take them seriously. It is Spectres responsibility to continuously identify, prioritize, and mitigate these risks on a professional level and create the best possible outcome for all involved parties. Equally, it is our responsibility to only process necessary date and secure strong compliance and ethical framework.

Data Ethics is about people and finding a balance between all the possibilities the digital world has to offer, and the ethical framework in which Spectre can navigate. We need to be transparent regarding ethical views, and governance towards collected and processed data under the Group's responsibility.

We have internal procedures related to processes of personal data and non-personal data according to GDPR. Respect for the privacy of Spectre's customer and employee data is a fundamental value for Spectre. Therefore, Spectre complies with both Danish and European legislation for data protection. Spectre must be proactive in the approach towards data ethics since legislation often falls behind the possibilities that technologies create.

In Spectre we ensure the confidentially of our data during collection, data storage, data processing and date reporting using high-level passwords, firewalls, security programs etc.

We take good care and control of all processed data and training our employees is a priority for us. Ensure that measures are implemented to protect against wilful or accidental loss, damage, or unauthorized change.

Quality is one of our core values. In alignment with this strive for excellence, Spectre is pursuing quality date to support better decision making to optimize key business processes.

A data user is a person that is processing data in IT-systems. In Spectre our data users only have access to data for which they have a legitimate work purpose, and they receive appropriate training regarding integrity, availability, and confidentially. All employees are required to follow specific policies, guidelines, and business procedures.

All major acquisitions of new software must be approved by Spectre's IT Committee represented by selected member of the Management Team across our business units.

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	2021/22 DKK
Revenue	1	855,514,310	531,800,392
Other operating income		775,155	792,344
Cost of sales		(483,464,165)	(292,357,136)
Other external expenses	2	(36,684,870)	(20,396,624)
Property costs		(2,157,132)	(1,466,268)
Gross profit/loss		**333,983,298**	**218,372,708**
Staff costs	3	(200,382,955)	(137,681,691)
Depreciation, amortisation and impairment losses		(15,297,727)	(8,709,960)
Operating profit/loss		**118,302,616**	**71,981,057**
Other financial income		5,762,096	11
Other financial expenses		(17,085,128)	(3,957,971)
Profit/loss before tax		**106,979,584**	**68,023,097**
Tax on profit/loss for the year	4	(21,898,992)	(13,773,071)
Profit/loss for the year	5	**85,080,592**	**54,250,026**

Consolidated balance sheet at 31.03.2023

Assets

	Notes	2022/23 DKK	2021/22 DKK
Acquired intangible assets		1,891,028	3,310,708
Intangible assets	6	**1,891,028**	**3,310,708**
Land and buildings		114,063,677	37,710,404
Plant and machinery		60,853,365	33,429,938
Other fixtures and fittings, tools and equipment		6,278,538	1,361,567
Leasehold improvements		0	84,180
Property, plant and equipment in progress		1,005,213	0
Prepayments for property, plant and equipment		0	39,085,947
Property, plant and equipment	7	**182,200,793**	**111,672,036**
Fixed assets		**184,091,821**	**114,982,744**
Raw materials and consumables		112,504,318	104,681,460
Work in progress		26,541,058	38,477,942
Manufactured goods and goods for resale		74,850,425	36,230,945
Prepayments for goods		5,817,880	9,839,738
Inventories		**219,713,681**	**189,230,085**
Trade receivables		24,842,317	23,574,873
Receivables from group enterprises		0	232,393
Other receivables		26,527,651	9,339,459
Prepayments	8	5,125,754	2,352,982
Receivables		**56,495,722**	**35,499,707**

Other investments	61,444	54,528
Investments	**61,444**	**54,528**
Cash	**87,553,962**	**30,087,310**
Current assets	**363,824,809**	**254,871,630**
Assets	**547,916,630**	**369,854,374**

Equity and liabilities

	Notes	2022/23 DKK	2021/22 DKK
Contributed capital		41,180	41,180
Retained earnings		104,857,400	76,290,447
Proposed dividend for the financial year		27,000,000	17,000,000
Equity belonging to Parent's shareholders		**131,898,580**	**93,331,627**
Equity belonging to minority interests		**65,092,619**	**45,636,366**
Equity		**196,991,199**	**138,967,993**
Deferred tax	9	2,035,249	3,277,367
Provisions		**2,035,249**	**3,277,367**
Mortgage debt		7,610,530	4,946,771
Bank loans		62,291,000	54,341,000
Non-current liabilities other than provisions	10	**69,901,530**	**59,287,771**
Current portion of non-current liabilities other than provisions	10	18,542,000	13,018,000
Bank loans		175,441,474	83,800,002
Prepayments received from customers		1,565,647	3,101,002
Trade payables		32,700,185	38,381,586
Payables to owners and management		0	957,788
Tax payable		22,629,494	7,819,936
Other payables		28,109,852	21,242,929
Current liabilities other than provisions		**278,988,652**	**168,321,243**
Liabilities other than provisions		**348,890,182**	**227,609,014**
Equity and liabilities		**547,916,630**	**369,854,374**
Fair value information	12		
Unrecognised rental and lease commitments	13		
Contingent assets	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2022/23

	Contributed capital DKK	Retained earnings DKK	Proposed dividend for the financial year DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK
Equity beginning of year	41,180	76,290,447	17,000,000	93,331,627	45,636,366
Ordinary dividend paid	0	0	(17,000,000)	(17,000,000)	0
Other entries on equity	0	(1,025,897)	0	(1,025,897)	(514,489)
Dividends from associates	0	0	0	0	(8,517,000)
Profit/loss for the year	0	29,592,850	27,000,000	56,592,850	28,487,742
Equity end of year	**41,180**	**104,857,400**	**27,000,000**	**131,898,580**	**65,092,619**

	Total DKK
Equity beginning of year	138,967,993
Ordinary dividend paid	(17,000,000)
Other entries on equity	(1,540,386)
Dividends from associates	(8,517,000)
Profit/loss for the year	85,080,592
Equity end of year	**196,991,199**

Consolidated cash flow statement for 2022/23

	Notes	2022/23 DKK	2021/22 DKK
Operating profit/loss		118,302,616	71,981,057
Amortisation, depreciation and impairment losses		15,297,727	8,830,696
Working capital changes	11	(53,273,577)	(38,577,278)
Impairment intagible assets		1,119,970	0
Cash flow from ordinary operating activities		**81,446,736**	**42,234,475**
Financial income received		5,762,096	11
Financial expenses paid		(17,085,128)	(3,957,971)
Taxes refunded/(paid)		(8,331,553)	(6,250,821)
Cash flows from operating activities		**61,792,151**	**32,025,694**
Acquisition etc. of intangible assets		(461,504)	(3,094,845)
Acquisition etc. of property, plant and equipment		(87,244,831)	(72,096,902)
Sale of property, plant and equipment		2,066,309	1,390,482
Cash flows from investing activities		**(85,640,026)**	**(73,801,265)**
Free cash flows generated from operations and investments before financing		**(23,847,875)**	**(41,775,571)**
Loans raised		106,821,443	84,787,543
Repayments of loans etc.		0	(1,184,188)
Dividend paid		(25,500,000)	(31,400,915)
Other cash flows from financing activities		(6,916)	2,888
Cash flows from financing activities		**81,314,527**	**52,205,328**
Increase/decrease in cash and cash equivalents		**57,466,652**	**10,429,757**
Cash and cash equivalents beginning of year		30,087,310	19,657,553
Cash and cash equivalents end of year		**87,553,962**	**30,087,310**

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

Cash	87,553,962	30,087,310
Cash and cash equivalents end of year	**87,553,962**	**30,087,310**

Notes to consolidated financial statements

1 Revenue

	2022/23 DKK	2021/22 DKK
EU	554,306,710	339,263,672
North America	184,067,739	116,432,848
Asia	117,139,861	76,103,872
Total revenue by geographical market	**855,514,310**	**531,800,392**

The Group has only one business activity and therefore the breakdown by activitu has been retained

2 Fees to the auditor appointed by the Annual General Meeting

	2022/23 DKK	2021/22 DKK
Statutory audit services	1,116,000	585,850
Other assurance engagements	34,000	49,000
Other services	723,000	257,875
	1,873,000	**892,725**

3 Staff costs

	2022/23 DKK	2021/22 DKK
Wages and salaries	198,450,555	136,183,130
Pension costs	1,643,917	1,252,165
Other social security costs	288,483	246,396
	200,382,955	**137,681,691**

Average number of full-time employees	3,879	2,269

	Remuneration of management 2022/23 DKK	Remuneration of management 2021/22 DKK
Executive Board	3,510,288	3,433,242
	3,510,288	**3,433,242**

4 Tax on profit/loss for the year

	2022/23 DKK	2021/22 DKK
Current tax	23,168,060	12,141,638
Change in deferred tax	(1,242,118)	1,690,195
Adjustment concerning previous years	(26,950)	(43,487)
Refund in joint taxation arrangement	0	(15,275)
	21,898,992	**13,773,071**

5 Proposed distribution of profit/loss

	2022/23 DKK	2021/22 DKK
Ordinary dividend for the financial year	27,000,000	17,000,000
Retained earnings	29,592,850	19,311,464
Minority interests' share of profit/loss	28,487,742	17,938,562
	85,080,592	**54,250,026**

6 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	6,180,509
Exchange rate adjustments	(17,756)
Additions	461,504
Disposals	(1,119,970)
Cost end of year	**5,504,287**
Amortisation and impairment losses beginning of year	(2,869,801)
Exchange rate adjustments	9,544
Amortisation for the year	(753,002)
Amortisation and impairment losses end of year	**(3,613,259)**
Carrying amount end of year	**1,891,028**

7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	40,737,223	41,936,036	1,438,485	84,180	0
Exchange rate adjustments	(245,029)	(419,599)	(2,840)	0	0
Transfers	39,045,498	58,898	0	(84,180)	0
Additions	42,493,721	38,152,346	5,659,282	0	1,005,213
Disposals	(14,876)	(2,680,074)	(391,806)	0	0
Cost end of year	**122,016,537**	**77,047,607**	**6,703,121**	**0**	**1,005,213**
Depreciation and impairment losses beginning of year	(3,026,819)	(8,506,098)	(76,918)	0	0
Exchange rate adjustments	37,387	111,608	30	0	0
Depreciation for the year	(4,963,428)	(8,521,932)	(645,962)	0	0
Reversal regarding disposals	0	722,180	298,267	0	0
Depreciation and impairment losses end of year	**(7,952,860)**	**(16,194,242)**	**(424,583)**	**0**	**0**
Carrying amount end of year	**114,063,677**	**60,853,365**	**6,278,538**	**0**	**1,005,213**

	Prepayments for property, plant and equipment DKK
Cost beginning of year	39,085,947
Exchange rate adjustments	0
Transfers	(39,085,947)
Additions	0
Disposals	0
Cost end of year	**0**
Depreciation and impairment losses beginning of year	0
Exchange rate adjustments	0
Depreciation for the year	0
Reversal regarding disposals	0
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**0**

8 Prepayments

Prepayments consits of advance payment of rent and IT licenses etc.

9 Deferred tax

	2022/23 DKK	2021/22 DKK
Intangible assets	235,000	557,000
Property, plant and equipment	681,383	752,000
Inventories	1,153,000	1,032,000
Other taxable temporary differences	(34,134)	936,367
Deferred tax	**2,035,249**	**3,277,367**

Changes during the year	2022/23 DKK	2021/22 DKK
Beginning of year	3,277,367	773,029
Recognised in the income statement	(1,242,118)	1,690,195
Addition through business combinations	0	814,143
End of year	**2,035,249**	**3,277,367**

10 Non-current liabilities other than provisions

	Due within 12 months 2022/23 DKK	Due within 12 months 2021/22 DKK	Due after more than 12 months 2022/23 DKK	Outstanding after 5 years 2022/23 DKK
Mortgage debt	242,000	1,593,000	7,610,530	6,218,382
Bank loans	18,300,000	11,425,000	62,291,000	3,125,000
	18,542,000	**13,018,000**	**69,901,530**	**9,343,382**

11 Changes in working capital

	2022/23 DKK	2021/22 DKK
Increase/decrease in inventories	(32,040,981)	(79,464,252)
Increase/decrease in receivables	(20,882,763)	20,931,542
Increase/decrease in trade payables etc.	(349,833)	19,955,432
	(53,273,577)	**(38,577,278)**

12 Fair value information

	Other investments DKK
Fair value end of year	38,640
Unrealised fair value adjustments recognised in the income statement	7,112

13 Unrecognised rental and lease commitments

	2022/23 DKK	2021/22 DKK
Total liabilities under rental or lease agreements until maturity	5,700,965	8,815,422

14 Contingent assets

The Group has a deferred tax asset of DKK ('000) 0,402 which mainly consists of tax losses, which have not been capitalized taking into account the uncertainty of their utilization within 3-5 years.

15 Assets charged and collateral

As security for account with bank, the group has issued a business charge of a nominal amount of DKK ('000) 64,000. The business charge includes assets which have a carrying amount at the balance sheet date of DKK ('000) 215,015.

Volkswagen Semler Finans has security in motervehicles as security for debt of DKK('000) 0,874 The assets which have a carrying amount at the balance sheet date of DKK ('000) 1,067.

Debt to VCB and BIDV is secured by buildings, machinery and equipent and other fixtures with a carrying amount of DKK ('000) 21,454.

Debt to Sweedbank is secured by buildings, machinery and equipent and other fixtures with a carrying amount of DKK ('000) 13,299.

Security for mortgage debt is secured by buildings with a carrying amount of DKK ('000) 1,633.

Security for mortgage debt is secured by buildings with a carrying amount of DKK ('000) 6,457.

Collateral provided for group enterprises

Spectre A/S has pawned the share capital of Spectre Garment Technologies Vietnam, which has a carrying amount at the balance sheet date of DKK ('000) 66,648 DKK, as security for all liabilities with the bank.

Spectre A/S has guaranteed Spectre Latvia' debt with Swedbank. The guarantee is limited to DKK ('000) 3,725 DKK.

Spectre A/S has guaranteed Spectre GMBH' debt with Sydbank. The guarantee is limited to DKK ('000) 373 DKK.

16 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.

17 Subsidiaries

	Registered in	Corporate form	Ownership %
Spectre Holding A/S	Ikast	A/S	66.60
Spectre A/S	Ikast	A/S	66.60
Spectre Real Estate A/S	Ikast	A/S	66.60
Spectre Latvia Ltd.	Latvia	Ltd.	66.60
EK Auce Ltd.	Latvia	Ltd.	66.60
Spectre Garment Technologies Vietnam Company Limited	Vietnam	Ltd.	66.60
Spectre Garment Technologies II Vietnam Company Limited	Vietnam	Ltd.	66.60
JJ Real Estate ApS	Ikast	ApS	100.00
ALK Holding ApS	Ikast	ApS	100.00

Parent income statement for 2022/23

	Notes	2022/23 DKK	2021/22 DKK
Other external expenses	1	(560,415)	(195,180)
Gross profit/loss		**(560,415)**	**(195,180)**
Income from investments in group enterprises		57,091,979	36,498,238
Other financial income		893	0
Financial expenses from group enterprises		(1,896)	(256)
Other financial expenses		(1,179)	(957)
Profit/loss before tax		**56,529,382**	**36,301,845**
Tax on profit/loss for the year	2	63,468	9,617
Profit/loss for the year	3	**56,592,850**	**36,311,462**

Parent balance sheet at 31.03.2023

Assets

	Notes	2022/23 DKK	2021/22 DKK
Investments in group enterprises		132,603,905	93,537,822
Financial assets	4	**132,603,905**	**93,537,822**
Fixed assets		**132,603,905**	**93,537,822**
Joint taxation contribution receivable		17,547,551	9,617
Receivables		**17,547,551**	**9,617**
Cash		**1,754**	**2,867**
Current assets		**17,549,305**	**12,484**
Assets		**150,153,210**	**93,550,306**

Equity and liabilities

	Notes	2022/23 DKK	2021/22 DKK
Contributed capital		41,180	41,180
Reserve for net revaluation according to equity method		93,807,692	54,741,609
Retained earnings		11,049,708	21,548,837
Proposed dividend for the financial year		27,000,000	17,000,000
Equity		**131,898,580**	**93,331,626**
Trade payables		37,500	0
Payables to group enterprises		948,047	0
Payables to owners and management		0	66,000
Tax payable		17,269,083	0
Other payables		0	152,680
Current liabilities other than provisions		**18,254,630**	**218,680**
Liabilities other than provisions		**18,254,630**	**218,680**
Equity and liabilities		**150,153,210**	**93,550,306**
Contingent liabilities	5		

Parent statement of changes in equity for 2022/23

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend for the year DKK	Total DKK
Equity beginning of year	41,180	54,741,609	21,548,837	17,000,000	93,331,626
Ordinary dividend paid	0	0	0	(17,000,000)	(17,000,000)
Other entries on equity	0	(1,025,896)	0	0	(1,025,896)
Profit/loss for the year	0	40,091,979	(10,499,129)	27,000,000	56,592,850
Equity end of year	**41,180**	**93,807,692**	**11,049,708**	**27,000,000**	**131,898,580**

Notes to parent financial statements

1 Fees to the auditor appointed by the Annual General Meeting

	2022/23 DKK	2021/22 DKK
Statutory audit services	37,500	35,000
Other services	308,625	42,500
	346,125	**77,500**

2 Tax on profit/loss for the year

	2022/23 DKK	2021/22 DKK
Refund in joint taxation arrangement	(63,468)	(9,617)
	(63,468)	**(9,617)**

3 Proposed distribution of profit and loss

	2022/23 DKK	2021/22 DKK
Ordinary dividend for the financial year	27,000,000	17,000,000
Retained earnings	29,592,850	19,311,462
	56,592,850	**36,311,462**

4 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	38,796,213
Cost end of year	**38,796,213**
Revaluations beginning of year	54,741,609
Adjustments on equity	(1,025,896)
Share of profit/loss for the year	57,091,979
Dividend	(17,000,000)
Revaluations end of year	**93,807,692**
Carrying amount end of year	**132,603,905**

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

5 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.

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.

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.

Business combinations

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

The uniting-of-interests method is applied on exchanges of shares, in which the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

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 the translation reserve in equity.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned.

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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

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

Cost of sales

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

Property costs
Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

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.

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 dividends etc. received on other investments, interest income, including 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.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

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

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

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc. comprise IT programs.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Intellectual property rights are amortised on a straight-line basis over their remaining duration.

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.

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	Residual value
Buildings	15-30 years	0%
Plant and machinery	8-15 years	0%
Other fixtures and fittings, tools and equipment	5-8 years	0%
Leasehold improvements	3-8 years	0%

For leasehold improvements 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.

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.

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

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

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

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.

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date, and unlisted investments measured at the lower of cost and net realisable value.

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.

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.

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.

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

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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.