FEMILET

Femilet A/S

Skanderborgvej 277, st.
DK-8260 Viby J

CVR no. 37 99 95 12

Annual report 2021

The annual report was presented and approved at the Company's annual general meeting on

20 June 2022

Patrice Jean Francois Kretz
Chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Femilet A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 20 June 2022
Executive Board:

Guillaume Kretz
CEO

Board of Directors:

Patrice Jean Francois Kretz Chairman	Guillaume Kretz	Bénédicte Marie Fanny Huriez

Independent auditor's report

To the shareholder of Femilet A/S

Opinion

We have audited the financial statements of Femilet A/S for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company 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 responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

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

— identify and assess the risks of material misstatement of the company 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.

Independent auditor's report

- 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 20 June 2022
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen State Authorised Public Accountant mne34459	Katrine Gybel State Authorised Public Accountant mne45848

Management's review

Company details

Femilet A/S
Skanderborgvej 277, st.
8260 Viby J

CVR no.:	37 99 95 12
Established:	27 November 1945
Registered office:	Aarhus
Financial year:	1 January – 31 December

Board of Directors

Patrice Jean Francois Kretz, Chairman
Guillaume Kretz
Bénédicte Marie Fanny Huriez

Executive Board

Guillaume Kretz, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C
CVR no. 25 57 81 98

Management's review

Operating review

Principal activities

The Company is engaged in the marketing and sale of lingerie and related products. The Company's products are distributed through two sales channels. One channel comprises comprises concept stores, which Femilet either owns or runs on a franchise basis. The second channel is through Femilet´s online e-commerce website.

Development in activities and financial position

The Company reported a loss of DKK 1,918 thousand for 2021 (2020: a loss of DKK 9,274 thousand). The loss is below our expectations for the year however the situation considered, the result is acceptable.

In 2010, the French lingerie Group, Chantelle, acquired the Company, and a long-term plan was subsequently prepared for the Company. The implementation of these plans is in process and will continue in the years ahead.

2021 was yet another year with a market under pressure.

The outbreak of COVID-19 continued affecting the operations of the Company. Due to health concerns and attempts to contain the virus, the Company was forced to close all stores the first two months of the year. Most stores were reopened 1st of march. Our stores located in shopping centres were closed until the 21st of April.
During this time, most of the Company's employees were sent home, and the Company successfully applied for government compensation for salary costs. The company has also successfully applied for government compensation for fixed costs.

Nevertheless, Management has chosen to continuously strengthen the organisation and to invest in the market. In 2021, the Company has improved its organisational setup even more. The warehouse supporting the Company's activities for the shops was moved from The Netherlands to France. This was done in order to gather all logistic retail activities in the group at one site. The warehouse supporting e-commerce is yet to be moved, but should be accomplished during 2022. This strategic move will improve our freight and warehouse cost, and create new IT opportunities that will ensure a more efficient flow of goods and improve our stock levels.
The company has during 2021 successfully renovated four stores and will continue the investment of the stores and the brand in the future.

The Company's inventory at the warehouse and in the stores are still owned by its sister company. This also has the implication that the Company runs its stores as an agent with its sister company as the principal.
The synergies between the different retail networks in the Chantelle Group have been improved greatly by this.

The shareholder of the Company continues to support this process and will provide financial support to the Company to secure the long-term financial basis for its operations.

Outlook

It is the strategy of the Company to further strengthen its business activities going forward and, in this way, foster profitable growth. The Company expects improved results for 2022.

Management's review

Operating review

Particular risks

The move of stock locations always represents a risk of unavailable stock during the move and unforeseen complications at the new site. However, Femilet has been through several stock moves and preparations for all known situations have been made to make a smooth transition.

Operating risks

Femilet sells fashion-oriented products and is thereby dependent on current fashion trends. The company has some risk in regards to sourcing depending on how the Covid-19 situation develops. Another risk to be aware of is the ongoing war between Russia and Ukraine followed up by the negative consequences of inflation. However Femilet does benefit from being part of a larger group with various distribution channels.

The vast part of the Company's purchases is made in EUR.

Intellectual capital

Femilet's staff of qualified employees makes up an important asset for the continued development of the Company. The Company's key competences lie within the areas of sales and marketing. As well as a well-documented and tried-and-tested retailers' concept. Furthermore, the company benefits from the collaboration and sharing of best practice with The Chantelle Group.

Loss of more than 50% of contributed capital

The Company has lost more than 50% of its contributed capital and is thus subject to the provisions on loss of capital under the Danish Companies Act. It is Management's expectation that the capital can be restored over operations going forward. If, contrary to expectations, this will not take place, the Company's owners will contribute new capital to restore contributed capital.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Gross profit		26,104	20,695
Staff costs	4	-26,911	-28,489
Depreciation, amortisation and impairment losses		-975	-1,453
Loss before financial income and expenses		-1,782	-9,247
Other financial income		18	65
Other financial expenses		-155	-92
Loss before tax		-1,919	-9,274
Tax on loss for the year		0	0
Loss for the year		-1,919	-9,274

Proposed distribution of loss

Retained earnings		-1,919	-9,274

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets	5		
Earnest money		661	948
Property, plant and equipment	6		
Fixtures and fittings, tools and equipment		166	184
Leasehold improvements		2,111	1,549
		2,277	1,733
Investments			
Deposits		2,150	2,129
Total fixed assets		5,088	4,810
Current assets			
Inventories			
Finished goods and goods for resale		0	400
Receivables			
Trade receivables		35	19
Receivables from group entities		8,573	6,001
Other receivables		155	857
Prepayments		349	76
		9,112	6,953
Cash at bank and in hand		6,841	8,441
Total current assets		15,953	15,794
TOTAL ASSETS		21,041	20,604

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		12,609	12,609
Retained earnings		-9,970	-8,051
Total equity	2	2,639	4,558
Liabilities			
Current liabilities			
Prepayments received from customers		1,893	1,732
Trade payables		1,017	1,340
Payables to group entities		1,876	4,609
Other payables		13,616	8,365
		18,402	16,046
Total liabilities		18,402	16,046
TOTAL EQUITY AND LIABILITIES		21,041	20,604

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	12,609	-8,051	4,558
Distribution of loss	0	-1,919	-1,919
Equity at 31 December 2021	12,609	-9,970	2,639

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Femilet A/S for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit. Gross profit comprises revenue, cost of sales and other external costs.

Revenue

Income from the sale of goods through webshop and commision, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of goods sold comprise direct and indirect costs incurred to generate revenue, including costs for sale and distribution of goods sold.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortisation.

The basis of amortisation is cost less any residual values, and amortisation is provided on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Earnest money	10 years.

The amortisation period is determined based on the expected economic life of the strategic investment of earnest money.

Intangible assets are written down to their recoverable amount if this is lower than the carrying amount. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any residual values, and depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

Payments relating to operating leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases is disclosed as contractual obligations and contingencies, etc.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Finished goods and goods for resale are measured at cost, comprising purchase price plus delivery costs.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, is measured at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Loss of more than 50% of contributed capital

The Company has lost more than 50% of its contributed capital and is thus subject to the provisions on loss of capital under the Danish Companies Act. It is Management's expectation that the capital can be restored over operations going forward. If, contrary to expectations, this will not take place, the Company's owners will contribute new capital to restore contributed capital.

3 Other operating income

Other operating income amounts to DKK 3,742 thousand (2020: 4,017 thousand) and includes compensation received in the form of COVID-19 relief packages.

4 Staff costs

DKK'000	2021	2020
Wages and salaries	24,458	25,721
Pensions	1,952	2,118
Other social security costs	501	650
	26,911	28,489
Average number of full-time employees	60	67

5 Intangible assets

DKK'000	Earnest money
Cost at 1 January 2021	14,063
Cost at 31 December 2021	14,063
Amortisation and impairment losses at 1 January 2021	-13,115
Amortisation for the year	-287
Amortisation and impairment losses at 31 December 2021	-13,402
Carrying amount at 31 December 2021	661

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2021	11,755	9,878	21,633
Additions for the year	69	1,164	1,233
Cost at 31 December 2021	11,824	11,042	22,866
Depreciation and impairment losses at 1 January 2021	-11,571	-8,329	-19,900
Depreciation for the year	-86	-602	-688
Depreciation and impairment losses at 31 December 2021	-11,657	-8,931	-20,588
Carrying amount at 31 December 2021	167	2,111	2,278

7 Non-current liabilities

Other payables

No liabilities fall due after 5 years.

8 Contractual obligations, contingencies, etc.

Contingent assets

At 31 December 2021, the Company had a non-recognised tax asset of DKK 25,960 thousand.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 6,991 thousand within four years (2020: DKK 8,705 thousand).

Lease obligations (operating leases) are due at a total of DKK 812 thousand within three years.

9 Mortgages and collateral

A company charge of DKK 21 million has been provided as collateral for amounts owed to credit institutions secured upon fixtures and fittings, tools and equipment, inventories and trade receivables representing a carrying amount of DKK 3 million at 31 December 2021, and a chattel mortgage registered to the owner of DKK 2 million secured upon leasehold improvements and related equipment with a carrying amount of DKK 2.2 million at 31 December 2021 has been provided.

Through credit institutions, the Company has provided guarantees totalling DKK 922 thousand.

Financial statements 1 January – 31 December

Notes

10 Related party disclosures

Femilet A/S' related parties comprise the following:

Control

Chantelle SA, 8/10 Rue de Provigny, BP 60137, 94234 Cachan, France.

Chantelle SA holds the majority of the contributed capital in the Company.

Femilet A/S is part of the consolidated financial statements of Chantelle SA, which is the smallest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Chantelle SA can be obtained by contacting the Company.