Annual Report 2019

Headphones
with microphone
DKK 70

An invitation to a richer life

At Flying Tiger Copenhagen, we don’t design to make products look nice. We design to make people feel good.

Whether we are designing extraordinary products for everyday life, or making everyday products look extraordinary, we want to bring you something that can bring you closer to someone else.

Things that make you smile. Gifts you’ll want to give. Stuff you feel the urge to try and desperately want to share with others.

Because real value lies not in the products we own, but in the experiences we share. Every month, Flying Tiger Copenhagen launches an array of new products. Things you need. Things you dream of. Things you didn’t know existed.

Products made with thought for you and the resources we share. Each one designed to make the things you care about happen.

A richer life doesn’t cost a fortune.
At least not at Flying Tiger Copenhagen.

Content

The world of Flying Tiger Copenhagen

Zebra A/S, the Parent Company of the Flying Tiger Copenhagen stores, is a variety retailer founded in Denmark. Our stores offer new, fun and useful products at affordable prices, which are marketed internationally under the Flying Tiger Copenhagen brand name. By the end of 2019 the Group operated 909 stores in 27 countries across Europe and Asia.

We constantly work on innovating our product offering and design, and around 300 new products are introduced every month. Our product categories include home, toys, hobby, party, snacks, electronics, gadgets, fashion accessories and more. We keep our stores bright and easy to navigate with our Scandinavian decor being a differentiating characteristic.

Flying Numbers*

Revenue	Adjusted EBITDA	Stores	Countries
5,226	409	909	27
DKKm	DKKm	incl. Japanese joint venture	across Europe and Asia

*Excluding discontinued operations with 67 stores in Germany and US.

Message from Executive Management

Following years of successful international growth, we are now executing a consolidation strategy. The objective is to improve operational performance with stronger profitability and cash flow rather than focusing on expansion. Flying Tiger Copenhagen delivered revenue of DKK 5.2bn, which was slightly lower than 2018. However, our operating profit (Adjusted EBITDA) strengthened as a result of our consolidation efforts and increased with more than 40% to DKK 409m. Such good progress on the strategy already and the inherent potential in Flying Tiger Copenhagen, gives us great belief in being able to deliver even stronger results going forward.

To support the transformation plan, EQT injected DKK 475m in 2019 as a testimony of their strong belief in Flying Tiger Copenhagen, and also to support the solid and tangible initiatives already executed and planned for the remainder of 2019 and 2020.

The consolidation strategy covers five key areas: Consolidate the network, optimise the cost structure, tighten the supply chain, build the retail operating model and evolve the Flying Tiger Copenhagen DNA.

Consolidate the network
The aim of our consolidation initiative is to optimise our store network and market set-up following the previous rapid expansion in store openings as well as geographies. The fast-paced growth we experienced in the past years, where we in some years opened a new store every third day, is now paused to instead focus on building a stronger and more profitable store portfolio and to consolidate our business. During 2019, we opened 23 new stores, closed 29 stores and relocated 6 stores. This on-going focus on relocating and closing non-performing stores will remain relevant to us to ensure a healthy store portfolio going forward.

As part of the strategy, we have acquired a number of partners in certain markets to enable scale benefits in our business. In addition, we decided to explore alternative opportunities for Germany and the US, where we are in conversations with potential future partners and therefore, these two entities are classified as asset held for sale in this 2019 report.

Optimise the cost structure
The cost reduction initiative captures the scale and simplification benefits that can be obtained on the back of our strong growth and consolidation. As part of this initiative, we have reduced HQ costs and have simplified our set-up across functions centrally and in our markets. For example, we reduced the number of employees in our global headquarter and implemented a standard market blueprint set-up, which not only lowers our costs, but also drives a simpler operating model.

Tighten the supply chain
We are executing the supply chain initiative to deliver a cost and capital efficient supply chain with high service levels throughout our network. As we consolidate the network and markets, the supply chain is stabilised and optimised to deliver these objectives. This initiative includes leveraging our consolidated volumes with suppliers to provide cost savings, higher quality and improved CSR performance.

Furthermore, the plan includes implementing a revised logistics footprint incl. warehouse and transportation services catering for a higher service level with improved cost and capital efficiency. During 2019, we signed a contract for a new large central warehouse in Greve, Denmark, with more than 60,000 sqm and this will be in use from H1 2020.

On top of this, we are implementing a revised planning set-up to ensure that we maintain sufficient yet competitive and high-quality stock levels centrally and locally. This includes clearing slower moving inventory to return to a highly capital-efficient business model.

Build the retail operating model
This initiative defines and executes a standardised store operations and commercial model, which is primarily rolled out in our owned

and operated markets such as the Nordic countries and the majority of the UK.

The initiative includes developing standard store operations practices to lower our costs, improving staff efficiency in daily operations and enabling us to re-invest in the service activities that bring value to our customers.

We are also working on improving how we support our stores from a central perspective by improving and developing several new supporting structures such as product lifecycle management, merchandising guidelines, sales optimisation tools and a store staff planning system. During 2019, we built an eCommerce solution pilot for Denmark, which was launched in January 2020. This has proved to be a very successful sales channel with very strong customer feedback. Therefore, we are now working on expanding our eCommerce offering to a broader range of markets while at the same time improving the pilot to create a fully scalable solution.

Evolve the Flying Tiger Copenhagen DNA

A cornerstone in Flying Tiger Copenhagen's historic success is daring to be different and continuously focusing on what it takes to amaze our customers about what we are able to offer. And doing so at affordable prices. This remains the very core of our DNA and the reason why our brand is so strong. In the course of 2019, we therefore invested in maintaining and evolving our brand, product and design understanding to secure a strong future.

We revitalised our assortment and established a roadmap for continued innovation of our products and value proposition. The initial results from this effort are very promising and provide a strong foundation for further development.

As part of the evolution of the DNA, we have intensified our focus on sustainability with a number of sustainable and greener new products and even higher focus on sustainability in our whole value chain. We have also engaged with the Danish NGO "Plastic Change" to ensure that our products and concept are aligned with a profound sustainability approach and ensuring that this is embedded at all levels.

Coronavirus 2020

As the Corona pandemic broke out in the beginning of 2020, we – like many other retailers - were significantly impacted. However, our performance February YTD demonstrates the underlying progress as we were outperforming our expectations. The Corona pandemic forced us to close a very large share of our global store portfolio, which naturally has negative consequences on our performance and liquidity situation.

To secure funding to steer through this crisis, we engaged with our shareholders and banks who expressed strong support in our concept and our strategy and as a result provided a DKK 650m funding package. This consists of a DKK 150m equity injection by the current shareholders and an additional loan facility of DKK 500m was provided by our banks. In addition to the funding itself, the maturity of our existing facilities has been extended and are now set to April 2024.

When and how the Coronavirus will end and assessing the impact on future consumer behaviour remains difficult and to manage in these uncertain times, we are executing a range of initiatives to secure the safety of our staff and customers whilst managing our value chain and sales to safeguard the brand and company.

We are convinced that our strong brand and value retail concept is sustainable and can thrive even in a tough and uncertain environment. We have demonstrated this in tough times before and we are convinced that Flying Tiger Copenhagen will come out even stronger yet again.

/ Martin Jermiin & Christian Kofoed H. Jakobsen

Water. 0.5 l.
DKK 10

Key figures

DKKm	2019[8]	2018[7, 8]	2017[6, 7, 8]	2016[6, 7, 8]	2015[6, 7, 8]
Income statement					
Revenue	5,226.3	5,252.2	5,032.3	4,274.0	3,571.7
Gross profit	3,188.8	2,982.5	3,051.6	2,577.8	2,226.9
EBITDA before special items	1,151.5	137.3	380.0	368.2	497.8
Adjusted EBITDA[2]	**408.9**	**289.3**	**460.2**	**443.2**	**497.8**
EBIT	68.2	(210.0)	89.2	186.7	343.7
Result from financial items	(93.8)	(326.4)	(63.5)	(57.9)	(52.4)
Adjusted profit for the year[1, 3]	5.8	(35.7)	138.9	167.7	242.5
Profit/(loss) for the year from continuing operations	(74.8)	(498.3)	4.1	82.1	209.8
Profit/(loss) for the year from discontinued operations[8]	(148.8)	(43.1)	-	-	-
Profit/(loss) for the year	(223.6)	(541.4)	4.1	82.1	209.8
Financial position at 31 December					
Invested capital[9]	3,482.8	1,213.5	1,160.5	1,116.5	846.4
Total assets	5,745.6	3,666.2	2,848.4	2,743.5	2,009.9
Net interest-bearing debt[1, 9]	3,618.3	1,296.9	641.0	493.0	94.1
Pro forma adjusted equity[4]	563.7	503.9	819.2	882.3	789.5
Equity	180.1	21.3	(220.8)	(23.6)	(130.3)
Cash flow and investments					
Investment in property, plant and equipment	(58.2)	(241.2)	(213.9)	(263.4)	(292.3)
Free cash flow	620.3	(307.0)	(69.8)	(155.0)	93.3
Key ratio					
Revenue growth	(0.5)%	4.4%	17.7%	19.7%	44.9%
Gross margin[1]	61.0%	56.8%	60.6%	60.3%	62.3%
Adjusted gross margin[2]	61.3%	59.7%	62.0%	62.1%	62.3%
EBITDA margin before special items[1]	22.0%	2.6%	7.6%	8.6%	13.9%
Adjusted profit/(loss) margin[1, 3]	0.1%	(0.7)%	2.8%	3.9%	6.8%
Profit/(loss) margin	(1.4)%	(9.5)%	0.1%	1.9%	5.9%
Comparable store sales growth[1]	(5.6)%	0.1%	(1.4)%	(4.5)%	1.5%
Leverage[1]	3.1x	9.4x	1.7x	1.3x	0.2x
Number of stores, including joint ventures	909	915	863	745	585
Adjusted EBITDA margin[2]	7.8%	5.5%	9.1%	10.4%	13.9%
Pro forma consolidated financial information[5]					
Pro forma revenue	5,321.4	5,345.3	5,126.5	4,415.2	3,726.2
Pro forma adjusted EBITDA[2]	412.6	291.3	463.5	445.2	497.0
Pro forma adjusted EBITDA margin	7.8%	5.4%	9.0%	10.1%	13.3%

[1] Key figures are defined in 'Definition of key figures and ratios' on page 106.
[2] Adjusted EBITDA, adjusted EBITDA margin and adjusted gross margin excludes extraordinary write-downs (net) and scrappings of DKK 12.9m recognised in Cost of sales (2018: DKK 152.0m, 2017: DKK 70.4m and 2016: DKK 75.0m), special items, the impact of IFRS 16 and discontinued operations.
[3] Adjusted profit for the year excludes extraordinary write-downs (net) and scrappings (see footnote 2), special items after tax, fair value adjustment of call options, impact of IFRS 16 and discontinued operations.
[4] The calculation of the pro forma adjusted equity is described in note 4.2.
[5] Pro forma consolidated financial information reflects a proforma proportionate consolidation of the 50% owned Japanese joint venture adjusted for IFRS 16 and discontinued operations.
[6] 'IFRS 9 Financial instruments' and 'IFRS 15 Revenue from contracts with customers' have been adopted as of 1 January 2018 and have been applied prospectively making use of the relief from restating the comparative information. The above key figures for the years 2015 to 2017 have therefore not been altered.
[7] 'IFRS 16 Leases' has been adopted using the modified retrospective approach and therefore the comparative information has not been restated. The above key figures for the years 2015 to 2018 have therefore not been altered.
[8] In 2019 the German and US entities are classified as discontinued operations. The comparative statements of profit or loss is represented from the start of 2018 while the comparative figures in the statement of financial position and cash flow statement are not adjusted.
[9] Invested capital and Net interest-bearing debt adjusted for the impact from IFRS 16 and discontinued operations amounts to DKK 1,111m and DKK 1,057m respectively.

Creativity is a source that only grows stronger when it's shared with others

Beads plate.
Transparent
DKK 20

Mission and strategy

Welcome to the world of Flying Tiger Copenhagen.

Flying Tiger Copenhagen is a business with a purpose. We design and sell products that bring you closer to someone else. And all products in store, even the small, simple or seemingly just funny items, are designed to make relations happen and people happy. They are catalysts to a richer life – and they represent much more value than the accessible prices indicate.

To deliver on our purpose, we make our products affordable for everyone and produce them with thought for our customers and the resources we share - and we will build our presence, so we meet our customers, where they are. Globally. In stores and online.

This is why we say **"A richer lift life doesn't cost a fortune. At least not at Flying Tiger Copenhagen".**

The history of Flying Tiger Copenhagen

Flying Tiger Copenhagen traces its roots back to a stall at a flea market in Denmark where founder Lennart Lajboschitz sold umbrellas with his wife Suz. Then, in 1988, Lennart and Suz Lajboschitz opened their first brick-and-mortar store in a local neighbourhood of Copenhagen. Its name was Zebra, and it sold umbrellas and sunglasses and socks and surplus goods.

On the opening day our founder handed out coffee and cookies, and often on Saturdays there was a magic show for the children who came into the shop with their parents.

The first store called Tiger opened in Copenhagen in 1995, and everything in it cost 10 Danish kroner. The Danish word for a ten-kroner coin is pronounced tee'-yuh, which sounds just like the Danish word for tiger.

Now, 30 years after the opening of the first store, we are a variety retail concept with 909 stores across 2 continents and 27 countries. We achieved a revenue of DKK 5.2bn, and we have around 6,000 fantastic employees.

We design our own products

Our product range is developed in our own product department and is inspired by our Danish heritage, with a strong focus on product relevance and uniqueness. Our first graphic designer was hired in 2006 and now we have a whole in-house design department creating graphic design as well as product design in close cooperation with our Product Managers.

Our assortment includes categories ranging from home, kitchen, hobby and party to toys, electronics and gadgets, food and accessories and has a broad appeal across age and income groups. Each month the assortment is refreshed with around 300 new products divided into two product campaigns, typically adapted to seasonal themes and/or festive occasions, e.g. Valentine's day, Back-to-School, Halloween, or Christmas.

The seasonal campaign products are complemented by our fixed assortment consisting of around 1,000 products that are relevant across seasons.

We want to inspire you to do things together – because nothing beats playing in the real world.
Chess **DKK 50**

We constantly go with renewable materials whenever it's doable.
Paper pens. 4 pcs. **DKK 10**

FSC

Sourcing

While the continuous work with product selection, innovation and development is mainly carried out internally, production is outsourced to external suppliers who commit to our Supplier Code of Conduct and our quality and ethical policies, while working under our supervision.

All products go through our product safety process, which coupled with our test programme ensures that quality and compliance requirements are met.

In order to ensure an optimal product execution in stores, we have established a cross-functional sales and operations planning process.

This process monitors the full supply chain status and alerts in due time in case of any discrepancies in targets or planning.

Logistics

An efficient logistics operation providing our stores with on-time deliveries is a cornerstone in our business. We work with a number of logistics providers to ensure scalable and cost-efficient operations around the globe. In 2019, our logistics centres in Copenhagen (DK), Raunds (UK), Barcelona (ES), New Jersey (US), Shanghai (CN), Shimizu (JP) and Icheon (KR) shipped more than 500,000,000 pieces to our stores.

Stores

In 2019 we opened less stores than in previous years and focused on consolidating our store network and functions and also strengthening the backbone of our business to prepare for solid growth in the future.

Our stores are leased to minimise upfront investments and are located in high-footfall locations on high streets and in popular shopping malls. The typical size is between 150 and 250 m2 of selling space. The store appears open and light, laid out in a maze, simple to navigate, enabling the customer to seek inspiration and discover the full range of products as they go along, while the friendly, recognisable music creates a welcoming atmosphere.

The décor is Scandinavian with unpretentious, practical, wooden furniture, white walls and warm lighting from simple pendants that illuminate the products.

We want to ensure a positive customer experience and we believe that our store employees play an integral role in doing so. Their dedication and commitment to our concept is key for our customers' shopping experience and the perception of our brand. We owe a great part of our success to our store employees, as they interact with thousands of customers on a daily basis. We prioritise the development and training of our staff, as we believe that this will help us sustain a fun and inspiring customer experience.

Corporate backbone

Our rapid growth over the past decades is supported by a flexible and scalable supply chain model, investments in new IT infrastructure and continued strengthening of the organisation and business processes. It is a strategic imperative to continue to strengthen our backbone to cost-effectively support future growth.

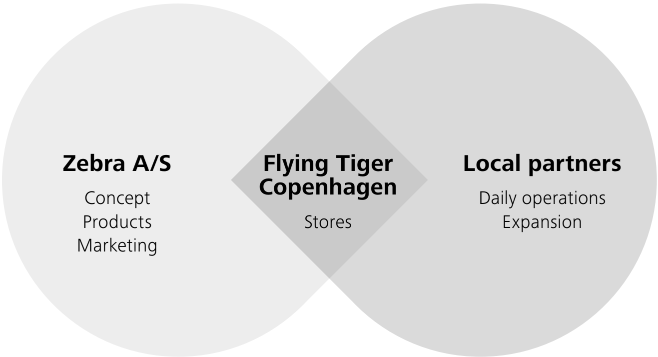
Financial and operating model

We have an operating model with a governance structure anchored around our management team. Management monitor and review the business units' operational and financial performance, aiming to proactively take advantage of opportunities as well as address potential challenges in our markets.

One area of focus is to ensure efficient supply chain operation and processes with low working capital requirements to service our stores effectively.

We look to free up capital for future country partner buy-outs and generally to support continuous developments of our business. Our initiatives aim to improve inventory levels by lowering lead time from purchase to sale, strengthening our forecasting process and improving working capital as well as enhancing coordination across the organisation.

Partner model



Establishing stores in new markets has generally been achieved through 50/50 owned partnerships with a local partner, which ensures local entrepreneurship and significantly increases our organisational capacity for international expansion while reducing the risks when entering new markets.

A jointly owned local company is set up, and Zebra shares investments, costs and profits with the local partner. In other words, the cooperation is a business partnership. The partnership is assigned a certain territory, with the size of the territories ranging from a region to an entire country.

Zebra owns the concept and brand, supplies the products, store interior and marketing material, while the local partner is responsible for store roll-outs and day-to-day operations including staff, training and local marketing under specific guidelines set out by Zebra.

Partners are typically individuals or a small group of people with an entrepreneurial mindset who are appointed after a thorough selection process based on their operational capabilities to roll out the concept as well as their retail experience, local market knowledge, managerial and financial capacity.

The partnership model has a contractually defined exit mechanism. The partner holds put options that grant them the right to sell their non-controlling shares to Zebra in two windows annually and with a one-year notice period at redemption prices based on contractually defined EBITDA multiples. At the same time, Zebra holds call options to acquire the partner's shareholding, which are exercisable based on contractually defined EBITDA multiples. For accounting purposes, Zebra is considered to have control over the partnerships, and they are therefore fully consolidated. The only exception is the Japanese joint venture, which is therefore not consolidated.

It is part of Zebra's strategy to take full ownership of the local operating companies when this is assessed to be more beneficial than the partner model. Zebra operates companies in Denmark, Sweden, Norway, Finland, Iceland, Southeast and Northern England, Scotland, Ireland and Northern Ireland, the Netherlands, Poland, Northern Italy, parts of France, United States, Germany as well as a large part of Spain including areas around Barcelona, Madrid, Mallorca and Valencia.

Going forward, a franchise model will be used to enter new markets.

Flowerpot. Assorted,
from **DKK 20**

We are online

Mid-January 2020, we launched our webshop in Denmark and early June 2020, Sweden followed.

The online store offers – like in our brick-and-mortar stores – a wide range of products that are continuously updated and refreshed to give the customers an inspiring shopping experience every time they visit.

We put a lot of thought and effort into the customer experience from start to finish – from browsing the site, searching for specific products, shopping and receiving parcels – making sure that the customer journey happens in true Flying Tiger spirit.

We are particularly proud of the special Flying Tiger Copenhagen shipping box made of recyclable cardboard with icon prints and a practical carrying handle.

During the internal testing phase of the site and shipping, we quickly learned that our own kids immediately starting playing with the box and turned it into for instance a garage, a bed for the stuffed toys, a kite, a mask, a picture frame, etc.

We therefore decided to pursue that immediate desire to use the box creatively by making a small flyer with inspiration and encouragement to use the box in different ways, which is placed in each send-out. Not only to give the box a longer life and but also to inspire to DIY or Do-It-Together projects at home. We believe that is a great testament to our DNA and strong brand.

Going online, we are excited about the possibilities that an online touchpoint creates for how Flying Tiger Copenhagen can interact with customers and promote our assortment. We hope to explore this further by bringing elements of online and physical store experience together, developing new online-only offerings and experiences, as well as engaging with businesses and institutions for whom online shopping provides significant advantages. And the potential for further growth in our markets is significant. We have only just embarked on our online journey!

flying tiger copenhagen
From flying tiger.com
DK
Grin og lær -pakken
flying tiger copenhagen
Det er ingen kunst at male -pakken
Ses på flyingtiger.com
flying tiger copenhagen
Instant hygge -pakken
flying tiger copenhagen
Ses på flyingtiger.com
Pen, saks, papir -pakken
flying tiger copenhagen
Bade-værelses-makeover -pakken
flying tiger copenhagen

Ruler set
DKK 10

Operating and financial review 2019

In 2019, the Group realised adjusted earnings before interest, tax, depreciation, and amortisation ("Adjusted EBITDA") of DKK 409m in the continuing operations, which was a 41% improvement compared to 2018 driven by execution of the transformation plan. Revenue in 2019 was DKK 5,226m, which was slightly lower compared to 2018 due to focus on cost optimisation rather than store expansion. Profit for the year from continuing operations amounted in 2019 to DKK -75m (including impact from IFRS 16). Executive Management and the Board of Directors consider the operational and financial performance of 2019 to be satisfactory, and in line with the expectations outlined in the transformation plan.

During 2019, Executive Management evaluated the Group's market presence and it was decided to divest the German and US business to focus on core profitable markets. A formalised sales process was initiated in the latter part of 2019 with the aim to divest the businesses during 2020. Accordingly, the German and US business are presented as discontinued operations in the consolidated annual accounts for 2019 including a restatement of the Income statement for 2018.

Throughout 2019, the Group made significant progress on the initiatives that were launched as part of the transformation plan in beginning of the year.

- The store portfolio was strengthened through lease re-negotiaions, closings and relocations of unprofitable stores
- HQ costs were reduced across markets and at Group level through consolidations and implementation of organisational blueprint
- Inventory was reduced significantly and slow-moving stock has been cleared driving lower supply chain costs
- A uniform store operations approach was developed and rolled out resulting in strong efficiency gains
- Product profitability was strengthened by a structured procurement approach and supplier consolidation

Execution of the initiatives will continue into 2020 where we expect further improvement coupled with a run-rate impact from what we already achieved in 2019.

Late 2019, we began developing our new eCommerce platform, which was successfully launched in our Danish market in the beginning of 2020 and in Sweden late spring 2020. Our new online offering was welcomed by our Danish and Swedish customers and we remain enthusiastic about continuing developing our online channel.

Revenue Development

Total revenue for the continuing business in 2019 was DKK 5,226m, corresponding to a slight decrease of DKK 26m compared to 2018. The decrease was driven by closing of stores as well as a negative comparable store sales growth of -5.6% but offset by store openings as well as run-rate impact from the 2019 openings.

Top markets in 2019

	Revenue (DKKm)	Growth (%)	Net new stores
Italy	1,101	4%	4
UK	673	(2)%	(6)
Spain	636	(2)%	1
Denmark	461	(10)%	(5)
France	275	9%	(1)
Subtotal	3,146	(1)%	(7)
Total	**5,226**	**0%**	**(6)***

*Including Japanese joint venture

EBITDA

DKKm	2019	2018
EBITDA before special items	1,152	137
Impact from IFRS 16	(756)	0
Extraordinary writedowns	13	152
Adjusted EBITDA	**409**	**289**
Adjusted EBITDA margin	7.8%	5.5%

The negative comparable store sales growth was a consequence of our effort to clear slow-moving stock through our stores. In first half of 2019 we realised comparable store sales growth of -0.2% while second half showed -9% as we focused on realising cash from existing inventory.

In 2019, we closed net 9 stores (net 6 closings including the Japanese joint venture) reflecting 28 store closures and 19 openings (1 store was closed in our Japanese joint venture and 4 stores opened) and 6 stores were relocated as part of the ongoing optimisation of our store footprint.

Our five largest markets represented 60% of total revenue of which Italy was the largest market followed by the United Kingdom, Spain, Denmark and France.

By the end of 2019, we operated 909 stores in our continuing operation across 27 countries (including our Japanese JV). Although we have put the rapid store expansion on hold while we execute the transformation plan, we still believe the potential for further store expansion is significant.

Development in Earnings

In 2019, the gross margin increased from 56.8% in 2018 to 61.0% in 2019, mainly driven by lower write downs and an improved procurement approach.

Operating costs (staff costs and other external expenses) before implementation of IFRS 16 were DKK 2,797m in 2019 compared to DKK 2,846m in 2018, representing 53.5% of revenue in 2019 compared to 54.2% in 2018. The absolute decrease came from the impact of the initiatives from the transformation plan while partly offset by the run-rate impact from the 2018 store openings.

Adjusted EBITDA amounted to DKK 409m compared to DKK 289m in 2018, which was an improvement of more than 40%.

Adjusted profit for the year amounted to DKK 6m compared to DKK -36m in 2018, primarily driven by the increase in gross margin and lower operating costs.

Special items in 2019 are mainly expenses related to executing the transformation plan and change in senior management positions.

Free cash flow, net interest-bearing debt and return on invested capital

Net Working Capital (NWC) increased in absolute terms from DKK -57m in 2018 to DKK 90m in 2019. The increase was driven by less trade payables due to relatively lower purchase of goods compared to 2018 and partly offset by a reduction of the inventory driven by the lower purchase and launched initiatives from the transformation plan.

Cash flow from investing activities was DKK -90m, which was DKK 221m lower compared to 2018 mainly due to fewer store openings as consequence of the focus on optimising the existing store portfolio rather than on expansion.

Free cash flow before IFRS 16 was negatively impacted by discontinued operations and was DKK -97m compared to DKK -307m in 2018, primarily driven by lower investing activities from opening new stores. Free cash flow ended at DKK 620m (including IFRS 16). Net interest-bearing debt was DKK 1,111m at the end of 2019 (excluding the impact from IFRS 16), compared to DKK 1,297m in 2018, due to the share capital increase of DKK 476.1m partly offset by acquisition of partnerships of DKK -99m, dividends paid to non-controlling interest DKK -72m and Free cash flow. Net interest-bearing debt including IFRS 16 impact amounted to DKK 3,618m.

Laptop sleeve. 13”.
Assorted colours
DKK 60

Provisions for the acquisition of non-controlling interest and equity

Except for the joint venture in Japan, partners hold a non-controlling interest and a put option to sell their non-controlling interest of Zebra, whereas Zebra holds a call option to acquire the partners' non-controlling interest. Under IFRS, Zebra is considered to control these partnerships, which leads to full consolidation under IFRS. Accordingly, the subsidiaries are fully consolidated in the consolidated financial statements and provisions have been made for acquisition of the non-controlling interests at estimated total amounts owed to the partners upon exercise of the put option of the partners or the call option if Zebra has exercised its call option. Under the accounting policies of the Group, changes in the fair value of these liabilities including differences upon settlement are accounted for as a transaction directly in equity.

The exercise prices are determined by reference to contractually defined EBITDA multiples. The calculation of the provisions under IFRS for the put options is based on the general assumption that the partners all exercise their put options at year-end 2019 with the agreed notice period of 12 months.

The provisions for acquisition of non-controlling interests (non-current and current in total) of DKK 249m in 2019 was in line with the provision in 2018. By the end of 2019, the Group had acquired partnerships for accumulated DKK 690m.

Zebra's call options over the remaining ownership interests in certain subsidiaries is recognised in the balance sheet as a derivative financial instruments. The fair value of the call options is determined by the estimated fair value of the non-controlling interest less the exercise price determined by reference to the contractually defined EBITDA multiples. The changes in fair value of these financial derivatives are included in the income statement. In 2019, the fair value of the call options was DKK 555m and the fair value adjustment included in the Income statement was DKK 105m.

Summer hat. Kids.
Assorted **DKK 30**

Equity

DKKm	2019	2018	2017	2016	2015
Pro forma adjusted equity	**564**	**504**	**819**	**882**	**790**
Provision for non-controlling interests	(249)	(246)	(353)	(490)	(851)
Acquired non-controlling interests (accumulated impact)	(690)	(687)	(687)	(416)	(69)
Fair value of call options	555	450	0	0	0
Reported equity under IFRS	**180**	**21**	**(221)**	**(24)**	**(130)**

Adjusted for the accumulated impact of acquired non-controlling interests as well as provisions for existing partnership agreements and the fair value of the call options, the pro forma adjusted equity was DKK 564m by the end of 2019, which was DKK 60m higher than in 2018. Increase reflected a share capital increase of DKK 480m but offset Loss for the year from discontinued operations of DKK -149m, dividend distribution to non-controlling interest of DKK 72m, Loss for the year from the continuing operations (excluding fair value adjustment of call options and effects from IFRS 16) DKK 107m and impact from IFRS 16 of DKK -73m.

Japanese joint venture

The Japanese joint venture was established together with a local partner in June 2013. Unlike the partner model applied in Europe, Zebra and the Japanese partner have joint control of the operating company in Japan, which is why the profits from the joint venture are recognised in a single line item in the income statement and the investment is measured using the equity method.

Sketch pad with
3 types of paper. A4
DKK 30

Revenue increased by 10% in reporting currency from DKK 257m in 2018 to DKK 282m in 2019. In local currency, revenue increased by 3% to JPY 4,606m. At the end of 2019, the JV operated 29 stores.

EBITDA in the Japanese joint venture increased from DKK 4m in 2018 to DKK 7m in 2019 excluding impact from IFRS 16 (including royalty and service fee payments to Zebra in 2019 and 2018 of DKK 14m and DKK 13m, respectively) driven by store openings.

We still consider the Japanese market attractive and together with our partner we continue to improve the business based on the turnaround plan, which includes a shift from larger stores towards standard sized stores in line with our European stores, new assortment introductions as well as various store efficiency initiatives. It is a key priority to improve the Japanese joint venture's financial performance and we saw a very positive effect during 2019 with positive comparable store sales growth and the opening of 4 new stores within our key clusters in Japan.

Parent company

In 2019, the Parent realised revenue of DKK 2,428m compared to DKK 2,702m in 2018 mainly due to lower sales to our subsidiaries. EBITDA before special items in 2019 was DKK 178m compared to DKK -256m in 2019 due to write downs, IFRS 16 and as a result of our cost reductions initiatives. Net income (including IFRS 16) for the year amounted to DKK -42m.

Outlook for 2020

2020 will be negatively impacted by the COVID-19 outbreak. January and February trading and performance was better than expectations driven by the transformation plan. However, from March onwards, results have been negatively impacted as the COVID-19 outbreak developed into a pandemic, affecting all of our markets. Most of our stores were closed in March, April and May and the remaining stores saw steep decline in footfall. Most of our stores reopened in beginning of June; however, they still faced soft trading from lower footfall. Consequently, we expect revenue significantly below what we realised in 2019 and earnings being severely negatively impacted by the decline in revenue. Due to the unpredictable nature of the situation, it is not possible to guide on the exact impact since it depends on duration and severity of the outbreak.

In response to the COVID-19 outbreak, the Group has taken the necessary actions to preserve adequate liquidity across all of our entities and strengthen the liquidity position by obtaining a new financing package of DKK 500m in April 2020 as well as additional equity injected by the shareholders of DKK 150m.

We want to inspire children – and growing ups – to play and have fun. We have tons of toys and games that match the season. Wooden farmhouse. 7 pcs **DKK 100**

Sustainably managed forests

When you buy FSC™ certified products you support a sustainable forestry. This is your guarantee that the forest is allowed to regenerate. You also help protect the people working in the forest and the wildlife that call the forest their home.

FSC
www.fsc.org
FSC™ C135256
The mark of responsible forestry

Look for the FSC label, for a lot of good reasons

- If you want to buy wood and paper products with a clear conscience, look for the FSC* label.
- The FSC certification guarantees that the forrest is allowed to regenerate.
- You can find FSC-certified forestry all over the world, from Sweden to South America.
- The FSC label protects the people working in the forest and the wildlife that calls the forest their home.
- FSC has a strong focus on securing local workers' training, safety and decent wages.

*Forest Stewardship Council

Wooden box.
Our own design **DKK 30**

All our paper products
are FSC™-certified.
Notebook. A5
DKK 30

FSC

Corporate social responsibility

Our commitment

At Flying Tiger Copenhagen, we want to inspire people to make the things they care about happen. We love to put a smile on peoples' faces while giving them the things they need, the things they dream of and the things they didn't even know existed. All at affordable prices. In order to do so, we recognise that we depend on the environment we operate in. We want our customers to know that when they buy a product from Flying Tiger Copenhagen, we strive to ensure that it has been produced in respect of ethical, environmental and social standards and is safe to use. We believe this is critical for the success of our company, to protect our brand and to advance better social and environmental conditions in global supply chains. Consequently, our commitment to conduct our business ethically and responsibly cuts across the full value chain from sourcing to shipping and sales in stores.

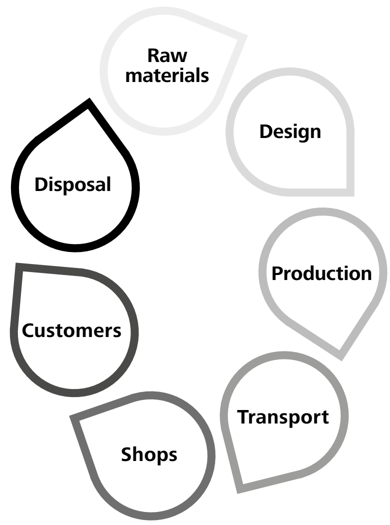
Strategic targets

We focus on three fundamental pillars in our sustainability strategy: products, operations and people, founded on communication and reporting. For these, our mission statements are as follows:

Products	**Operations**	**People**
We want to offer our customers fun, surprising and creative eco-friendly choices. To achieve this, we are making sustainability an integral part of how we design and source our products. We focus on circular materials, design, packaging and labelling	We are committed to ethical sourcing, capacity building, social responsibility and environmental management in production. In our own operations: offices, warehouse and stores, we focus on CO2 neutral operations and circularity of materials	We believe a responsible behaviour in all aspects makes a positive difference in many people lives' and is key for being successful as a business. We want to enable our partners, suppliers, employees and customers to act more sustainable
Communication and reporting		

Our strategic targets for 2022 and 2025 are based on an assessment of key impact and risk areas along our value chain. We are committed to the UN Global Compact and use the 10 principles and the Sustainable Development Goals for direction.

Value chain impact



Raw materials
Risks: Extraction
Targets: 100% sustainable forestry 2022. 100% certified palm oil 2022. 50% reduction of plastic products 2025. 50% recycled plastics 2025

Design
Risks: Material use
Targets: 20% reduction of packaging materials 2022. 50% reduction of single use products 2025

Production
Risks: Labour conditons, health and safety, environment
Targets: 100% products sourced from A/B rated suppliers 2025. 1000+ homeworkers positively influenced by our ethically handcrafted community project by end 2022.

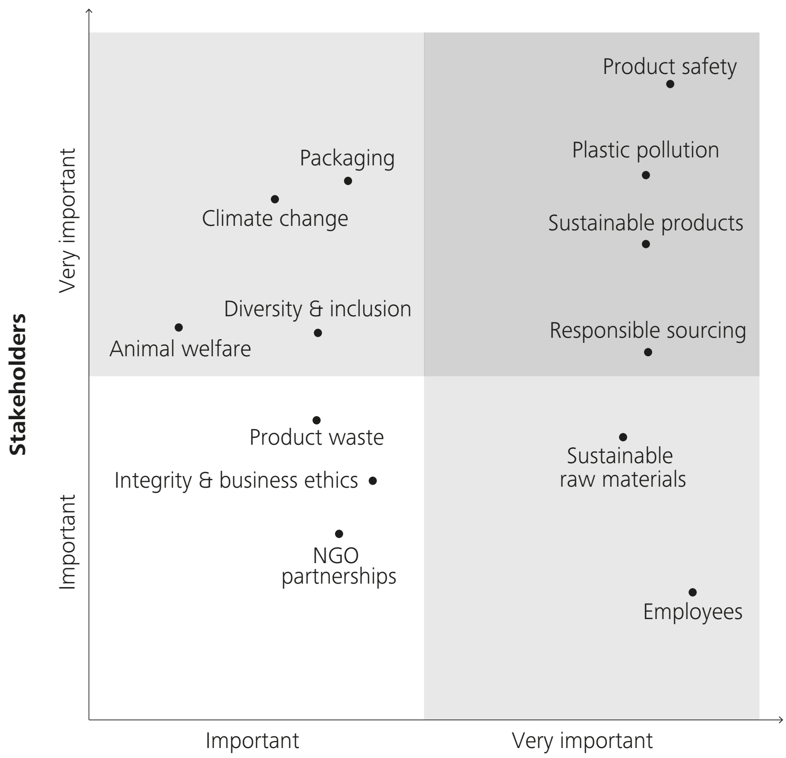
Transport
Risks: Labour conditons, health and safety, environment.
Guidelines: Primarily use shipping for transport. Minimize use of packaging.

Shops
Risks: Labour conditions, emissions, waste handling.
Targets: 100% recyclable store furniture 2022. 100% eco-friendly marketing material 2022. 50% renewable energy in own operations 2022.

Customers
Risks: Product safety, waste handling.
Targets: Continuously offer eco-friendly products. 20% reduction of packaging materials 2022.

Disposal
Risks: Landfill
Targets: 100% recyclable packaging by 2022

Materiality assessment



Sustainable products

Our products are the very core of our business. We want to offer our customers useful, fun and inspiring products at affordable prices. We want our products to be safe and therefore take significant measures to ensure that all items have been produced under humane and responsible conditions in respect of international social, environmental and ethical standards.

As a globally operating retailer, we have a responsibility for our impact on the planet throughout the value chain. Our Environmental policy expresses our commitment to protect the environment and the climate by minimising our impact. A significant part of our impact derives from production in our supply chain. Consequently, our Supplier Code of Conduct further specifies our requirements for the environmental awareness and conduct of our suppliers.

Apart from seeking to minimise impact in the supply chain, we focus our resources where Flying Tiger Copenhagen, as a retailer, has the highest impact. This includes choosing more eco-friendly materials for our products, using less plastic throughout our value chain, sourcing sustainable forestry products, minimising packaging, reducing energy consumption in stores and offices and minimising food- and other product waste via donations – specified in our strategic targets page 25.

Sustainable stores

We want our stores to be eco-friendly. This includes:

Cabinets and boxes: Made in pallets sizes for optimal transportation. Made from wood from sustainable forestry (FSC). Painted with water-based paints.
Cabinets, boxes and fixtures: made from 100% recyclable wood and metals (steel and aluminum)

Using a product as many times as possible is a great way to reduce environmental impact. Straws incl. brush cleaner, bamboo.
5 pcs **DKK 20**

Lights: 100% LED lights – low on emission and heat, which also means using less aircondition

Shopping bags: made from primarily recycled plastic

Shopping baskets: made from 100% recyclable plastic

Safe products

All products go through our product compliance process to ensure they are safe and compliant. This means that all materials must be approved prior to purchase through our approval process. The process is complemented by our test programme through which we ensure that our products are tested for hazardous materials. With very few exceptions, all our products are tested in the pre-production phase. For those products considered to be high risk, the testing is repeated during mass production. When we define our requirements, our policy is to comply with the EU requirements or the applicable national legislation, whichever sets the highest standards. In several areas, we go beyond the legal requirements. This means that we for instance prohibit chemicals like triclosan, formaldehyde, phthalates (all types of phthalates), formamide and coating materials that are based on halogens (bromine, chlorine, fluorine etc.). We work continuously on improving and developing our FTC product compliance requirements leading to safer products. This is done in close cooperation with our suppliers helping them to understand and implement our restrictions. In 2019, we had three product recalls. We mediated the risk by immediately recalling all items in question.

Cover for iPhone 6/6s, 7, 8.
100% recycled plastic and
a part of our new media line
DKK 30

Quality products

Flying Tiger Copenhagen's strategic quality programme aims to constantly improve the quality of our products through physical inspections during production. Here, we evaluate the general quality of the products in terms of durability and functionality but also issues such as hygienic standards and risk of mold development during production or the long shipment times from Asia to Europe. A team of quality inspectors, a quality manager and supporting personnel is established in Shanghai. The selection of the products subject to quality checks and description of the quality check points are performed at the headquarters in Denmark, while the inspections and handling are done by the local team and in the local language.

The stronger quality focus also creates a higher awareness among our suppliers, leading to a continuously higher quality level for all products.

Sustainable forestry

FSC
www.fsc.org
FSC™ C135256
The mark of responsible forestry

With our membership and certification of the Forest Stewardship Council (FSC), we support the promotion of forests managed with consideration for people, wildlife and the environment. Among other things, an FSC certification entails protection of biodiversity, and respect for the rights of local people as well as the people working in the forest; including that workers are properly trained, have decent health and safety conditions, and receive fair wages.

Notebooks, gift wrapping, napkins, and paper cups are all part of our FSC-certified product portfolio. In 2019, we sold over 66 million pieces of FSC certified items, which is a significant percentage of our paper assortment. Our customers will continuously find more FSC-certified wood and paper products in our stores, since it is our ambition to exclusively source our wood and paper products from sustainable forestry by end 2022. When it comes to store furniture, we began to use sustainable wood in 2012. Since then, all new store furniture is made of FSC-certified wood in new stores while the existing stores switch to FSC-certified furniture according to their usual refurbishing cycle.

We investigate eco-friendly alternatives when we produce our products

The world has limited resources. Thus, we prefer to go with renewable materials whenever it's doable. Resources such as seaweed, wheat straw, wood, cotton and bamboo are all renewable materials made from naturally grown resources. We prefer to use renewable materials for our products whenever it's feasible.

Birdhouse. Wheat straw
Heigth: 24 cm **DKK 30**

Responsible sourcing

In 2019, we purchased products from around 300 suppliers worldwide. Approximately 75 percent of our spend comes from suppliers based in China; 18 percent from suppliers based in the EU and the remaining 7 percent come from suppliers spread across the world, in countries like India, Nepal and Taiwan. Most of our direct suppliers are trading companies who source from a range of different factories, enabling us to offer a broad array of novel products across a variety of categories.

With respect to our supply chain setup, focus on responsible sourcing ensures that we account for human rights and labour rights adverse impacts on workers and communities in the production areas. Through our social compliance process, we work to ensure that factories selected for production on our behalf can meet our requirements, and that the people producing our products are treated with respect and provided with fair and safe working conditions. We have an ongoing focus on improving our social compliance process and our performance. In 2019, we strengthened our cooperation with the buying and product quality teams, measured progress on individual suppliers, allowing for even more systematic and transparent process and cooperation.

The process follows three steps:

Toothbrush, bamboo
DKK 20

Social Compliance Process

1. Commitment to the Flying Tiger Copenhagen Supplier Code of Conduct.
All product suppliers must sign the Flying Tiger Copenhagen Supplier Code of Conduct. The Code is based on international standards as defined by the United Nations (UN) and the International Labour Organisation (ILO). It defines our requirements in the areas of workplace health and safety, terms of employment, working hours, wages, environmental protection and business ethics. Among other things, it prohibits child labour, forced labour, dangerous or severely unhealthy working conditions and abusive disciplinary practices. No purchases can take place without a valid Code in place. Commitment to the Code must be renewed every 2nd year in writing.

2. Risk assessment and factory audits.
Factories are selected for audit in a two-step process:

I. Factory information for all items is gathered from the BOM tool and items are automatically assigned a risk rating based on: i) country of production; ii) purchase volume; iii) product category.

II. The automatic risk rating is combined with a manual process looking at: i) brand exposure of product; ii) audit history and performance of factory, including sub-contracting practices.

Factories rated high-risk are selected for audit. On-site factory audits are carried out either by our China-based audit team or by Elevate, an organisation specialised in social compliance factory audits. All audits follow the Flying Tiger Copenhagen Audit protocol that consists of 115 questions and assess practices in the areas of ethics, sub-supplier management, human rights, labour practices, and the environment. Audits include a combination of site assessment, documentation review, management interviews and anonymous workers' interviews. Audits can be announced, semi-announced and unannounced, depending on progression of audits and types of findings in previous audits. All factories are evaluated from A (compliant) to E (Zero-tolerance) and most of the factories we used are rated C. We have a strategic target to raise the rating of the factories we use.

3. Improvement and remediation
All factories, apart from A rated factories, must implement a corrective action plan (CAP) within a defined timeline. The CAP is reviewed regularly until closure by Flying Tiger Copenhagen, and the factory must go through a re-audit to verify improvements. Re-audits are semi-announced or unannounced. Factories that present severe zero-tolerance issues are rejected (e.g. use of child labour, forced labour, severe safety and human rights issues, attempted bribery of auditor). In some cases, where good faith and procedural errors can be verified, the factory is put through a requalification process which includes training, a strictly monitored improvement plan and a re-audit. In case a supplier and/or factory is unwilling to improve, we will stop the collaboration permanently.

Notebook. A4
DKK 30

Fire station. Height: 14 cm.
DKK 60

FSC

We do on occasion come across factories using child labour. We have a zero tolerance for child labour and strict rules for young workers (between 16 and 18). If we find child labour, the factory must immediately remediate the case and will be put on hold until further notice. We have entered a collaboration with The Center for Child Rights and Corporate Social Responsibility (CCR-CSR) in China that helps us with child labour remediation and prevention. CCR-CSR makes sure that every case is handled with respect to the individual child's circumstances. They engage in dialogue with the family and ensure appropriate measures like enrolling in vocational schools and monthly living stipend throughout the remediation period.

In 2019, we have conducted more than 300 audits at factories in Asia. The most common issues that required improvement were ensuring a safe and healthy working environment and reducing overtime. Our target for 2020 is to maintain the number of audits and pursue greater transparency by introducing a pre-screening through the entire range of assortment, and further build the capacity of our suppliers.

In 2020, we will revise our sourcing strategy in order to further simplify our supply chain. We will also introduce more requirements to our existing and new partners, to further increase compliance and transparency in our supply chain.

Supplier engagement and capability building

We consider our audit processes a critical tool to ensure compliance in our supply chain. But we have also learned that to drive genuine improvements, we must combine these processes with proactive capacity building and training of our suppliers and their factories. We believe in fair partnerships based on transparency and trust, completed with the ability to check and drive improvement.

In 2019, we continued to establish a closer engagement with our suppliers. Our local office in Shanghai is growing, hosting now the quality, social compliance and merchandising teams. That allows us to keep closer dialogue with our supplier and develop long term the partnerships.

Bespoke training of our top 10 suppliers responsible for more than 60% of annual procurement is an integral part of our preventive and corrective action activities.
In 2020, we will continue the supplier engagement work, with further strategic training, developing more concrete written guidelines, that can be shared with larger number of factories, as well as reviewing our policies and strengthening our internal commitment.

Partnerships

We can only achieve big successes in cooperation with others. Therefore, we partner with many different institutions and NGOs in order to support the communities where we are present.

We support

Plastic Change

Flying Tiger Copenhagen has during H2 2019 worked intensively to develop and implement a more circular mindset in the company's business concept. One of the initiatives is the collaboration with Plastic Change, which will contribute to specific initiatives to manage and minimise the company's use of plastic.

United Nations Global Compact (UNGC)

We are proudly supporting the United Nations Global Compact, the world's largest corporate sustainability initiative, and endorse its ten principles to respect human and labour rights, protect the environment, and fight corruption.

Forest Stewardship Council (FSC)

Through our FSC-certification, we support sustainable forestry, including protection of biodiversity and respect for the rights of local communities as well as forestry workers.

Roundtable on Sustainable Palm Oil (RSPO)

Since 2020, we are a member of the RSPO, supporting their work to develop and implement global standards for sustainable palm oil.

CCR-CSR

We support and are a part of the CCR-CSR network, a social enterprise with competence, experience and knowledge to help companies improve and implement child rights-related CSR-strategies, programs and projects. We use CCR-CSR for the remediation of child labour cases in China.

In Kind Direct & Dons Solidaires

Since 2017, we have been donating products to In Kind Direct (UK) and its partner organisation Dons Solidaires (France), both minimising our environmental footprint and helping communities in need.

Red Cross

We have donated to the Red Cross, both minimising our environmental footprint and providing essential goods for the humanitarian work with refugees.

National food banks

We donate unsold food products to Fødevarebanken (Denmark), FareShare (United Kingdom), and Banc Dels Aliments (Spain), thereby minimising food waste across our value chain and making a difference to vulnerable social groups.

WeFood

We have donated food products that approach their expiry date to WeFood, a Danish supermarket only operating on previously unsold goods, to fight food waste along our value chain

Charity donations

As a global company, we can and want to positively impact local communities. It is our expressed commitment that all measures are to be taken to donate an unsold product to people in need before sending it to waste. In doing so, we minimise our environmental footprint as well as help disadvantaged families and communities. Our underlying donation policy ensures transparency across the entire business.

In 2019, we have donated products that are safe to use but no longer commercially attractive (e.g. due to broken packaging) to In Kind Direct (UK), Red Cross (DK) and Dons Solidaires (FR), among others. These organisations further distribute our wide range of products to people in need. For instance, 1,266 different charities across the UK have benefitted from our collaboration with In Kind Direct, the majority focusing on child/youth care and family welfare.

From our food assortment, we have donated products that were about to expire to national foodbanks in Denmark, the UK, and Spain, as well as to WeFood, a Danish supermarket exclusively operating on products that are no longer commercially attractive to retailers. Through these donations, we can minimise the food waste in our value chain and help promoting the topic's visibility in the public discourse.

Our ambition for 2020 is to further improve food and product waste prevention, maintain the level of engagement with the charities, and foster donation processes on the store level. We also want to investigate improving conditions in the part of our value chain using homeworkers.

Concertina stool
in recycled cardboard
Height: 36 cm. **DKK 60**

Stainless steel is a fully recyclable and highly durable material

It's easy to remelt and can be reused infinitely, without any quality degradation. This makes stainless steel a long-lasting and eco-friendly material.

Drinking bottle.
Stainless steel.
500 ml **DKK 50**

People

Flying Tiger Copenhagen is held accountable for creating a work environment that respects our employees' human and labour rights and allows them to thrive as professionals. Our Human Rights Policy outlines our standard to comply with all applicable UN and ILO conventions and applies them to our employees working across all levels. At Flying Tiger Copenhagen, we rely on our ability to attract, motivate and retain highly qualified employees at all levels of the organisation, from store staff and managers to creative and administrative people at head office. As we aim to offer an engaging workplace with equal opportunities for all, we employ people with a wide range of nationalities and educational backgrounds. Now that we are a truly global company, it is a particularly crucial task for us to keep working on the issue of diversity to live up to our values of being a welcoming and inclusive organisation. In leadership positions we employ 46% female and 54% male employees.

As part of the transformation process, the Company changed its board composition during 2019. Consequently, at the end of 2019, the Board of Directors of Zebra consisted of six males. It is still the Board's ambition to increase diversity, including gender representation on the Board. It is the target to have at least two female board members before 2023. It is the current assessment that the Board has the required qualifications and composition to oversee Zebra's strategic development. Achievement of the target will be sought in connection with ongoing changes to the composition of the Board, where special efforts will be made to ensure that female candidates are identified and participate in the selection process.

It is our responsibility to build the competencies of our colleagues. Flying Tiger Copenhagen has a Group HR function that supports our employees in the HQ in Copenhagen and our locally operating partnerships.

In 2019 we introduced Peakon at HQ in Copenhagen. Peakon is an engagement survey tool that measures employee engagement across the organisation. The Peakon results have provided a strong data foundation and vast material about the well-being and beliefs of our employees. The people managers of Flying Tiger Copenhagen now have real life data about their teams and individual team members. This input has resulted in transparency in terms of improvement areas as well as information about strengths of the company.

The HR Business Partners act as strategic partners for the business. In 2019, we strengthened this vital role in supporting our employees at all levels to ensure they have a great working experience at Flying Tiger Copenhagen.

In order to continuously grow and develop the organisation, the Talent Attraction area and ensuring that Flying Tiger Copenhagen remains and attractive employer of choice, we have during 2019 increased the focus on Employer Branding primarily through LinkedIn activities and postings. We believe that it is particularly important to recruit the right profiles for our company, we use several personality assessments to assess our candidates against our organisational culture and values.

The digitalisation process that kicked off in 2018 continued throughout 2019 and will remain a strong focus area during 2020.

Business Ethics

When dealing with our manifold suppliers and partners we are expected to manage the risk of unethical behaviour and to promote anticorruption. Our Business Ethics Code of Conduct outlines the ethical expectations to our employees. The Code is signed by all employees at Flying Tiger Copenhagen, all partners and subsidiaries, including their Headquarter staff, district and store managers. All our partners and most employees in leadership positions at Flying Tiger Copenhagen have received face-to-face business ethics training.

The Code of Conduct and the trainings are supplemented by our whistle-blower scheme, enabling our employees to report unethical and illegal behaviour anonymously. In 2019, no instance of illegal or unethical behaviour has been reported.

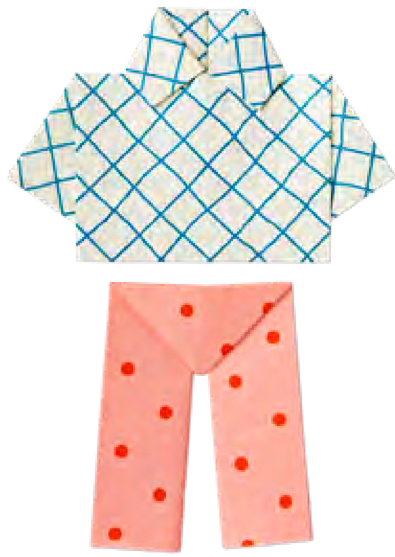
Gender distribution among leadership positions

2018

57% 43%

2019

54% 46%



We always have a broad collection of napkins to serve the season
Napkins. 20 pcs. Assorted designs
DKK 10

FSC

It’s on our plate to embark on a climate-friendly journey – product by product

We care about the planet and we are constantly looking for more sustainable ways to do our business. Using more eco-friendly materials for our products and reducing the packaging are small steps in a greener direction. We have also made a plastic pledge. Our partnership with the Danish environmental organisation Plastic Change pledges us to minimize our use of plastic and strengthen reuse and recycling.

We have far more to do on this meaningful and eco-friendly journey. Actually it has only just begun.

Tableware set, bamboo
DKK 30

Easy Store

A central pillar in our retail operating model

A central part of building the future retail operating model has been to standardise our operations and focus in our stores. EasyStore is a central pillar in this transition, and the journey has started in 2019. With EasyStore we now have one global standard of how to operate a store most efficiently. We have seen many stores show impressive results from this work and have received very positive feedback from our colleagues.

The EasyStore concepts include standard store operations practices with the aim of improving our customer experience and lowering cost. By lowering cost through increasing staff efficiency in all elements of daily operations, we can re-invest our time in service activities that drive higher value for our customers.

A key strength of EasyStore is that is has been developed in close collaboration with some of our experienced and skilled Store managers and district managers from several of the most efficient markets.

With EasyStore we now have a global operating framework on which we will build future tools and supporting processes. During 2020 we will focus on developing several supporting store tools while optimising internal processes to support EasyStore daily processes in the best possible manner.

Corporate governance

Corporate governance practices at Zebra

Zebra strives to comply with generally accepted corporate governance principles as required under the Danish Companies Act, the Danish Financial Statements Act, IFRS as well as internal rules and procedures described in the Company's Rules of Procedure for the Board of Directors and for the Executive Management.

As Zebra is controlled by a member of the Danish Venture Capital and Private Equity Association ("DVCA"), the company also strives to comply with the corporate governance guidelines issued by DVCA. These guidelines are available on www.dvca.dk.

At Zebra, powers are delegated between the Board of Directors and the Executive Management in accordance with common practices for Danish companies and are formalised in writing by the Company's Rules of Procedure. The Executive Management is responsible for all day-to-day operations while the Board of Directors supervises the work of the Executive Management and approves certain material decisions and investments. Zebra's Board of Directors develops the Group's corporate strategy together with the Executive Management and oversees progress, financial development as well as assessment of whether the necessary skills and qualifications are in place to support the Group's development and strategic business objectives. In addition, the Board of Directors ensures that Zebra works towards implementing efficient and transparent business procedures. The Board convenes for at least six annual meetings, where at least one meeting is held in one of the Group's strategically important markets and includes store visits, meetings with local management and updates on the local retail market.

The content of the Board meetings is determined by the Board's meeting schedule, which is updated and approved by the Board of Directors at the beginning of each financial year, and by ongoing discussions between the Board of Directors and the Executive Management.

Board and Executive Management

In 2019, the Board of Directors consisted of five-seven members and held 11 board meetings. The majority of meetings lasted a full day, ensuring enough time for performance discussions as well as addressing critical and strategic issues. The remaining meetings were shorter calls for specific discussions. Key topics of discussion this year related to category management, e-commerce, sustainability, procurement, logistics, driving sales and operational scale and efficiency including consolidation and corporate transformation as well as the company's strategy.

In January 2019 Matthias Wittkowski replaced Rolf Eriksen on the Board of Directors. In March 2019 Tore Thorstensen replaced Michael Hauge Sørensen and Manel Adell Domingo. Tore brings substantial operational and strategic experience from the private equity sector. In June 2019 Margaret McDonald and Matthias Wittkowski resigned from the Board of Directors, bringing the Board of Directors down from seven to five members. Finally, in September 2019 Anders Misund joined the Board of Directors which now consists of six members. Anders brings extensive experience with corporate transformations in Nordic retail.

In January 2019 Carsten Fensholt resigned and Martin Jermiin joined the Executive

Love in a can
DKK 20

FSC™ certified frames are made with
wood from sustainably managed forests.
Photoframe. A6, A5, A4 and A3.
Black, Bamboo look or Alu.
From **DKK 20**

FSC

Management as co-CEO. In March 2019 Christian Kofoed Hertz Jakobsen joined the Executive Management team as CFO. Furthermore, in April 2019 Mette Maix also decided to pursue a career outside Flying Tiger Copenhagen. Martin Jermiin is now CEO.

Audit Committee

The current members of the Audit Committee are Jacob Bier (Chairman as of April 2019), and Mads Ditlevsen. The purpose of the Committee is to assist the Board of Directors with the following:

- Monitoring the financial reporting process
- Monitoring the efficiency of Zebra's internal control system and the audit process of the external audit
- Monitoring Zebra's process for compliance with laws and regulations
- Other tasks delegated from the Board of Directors

The Audit Committee meets as often as the Committee deems appropriate, however no less than twice a year. In 2019, the Audit Committee met six times. Key topics of discussion included financial reporting and other internal processes, Enterprise Risk Management, insurance and general compliance including IFRS16.

Internal control systems

The responsibility for maintaining an adequate and efficient internal control environment in connection with financial reporting is vested with the Executive Management. The Audit Committee together with the Board of Directors continuously review and assess the Group's control environment. In 2020, Zebra will continue to develop its control environment both in the local operating companies as well as at Group level.

Ownership and capital structure

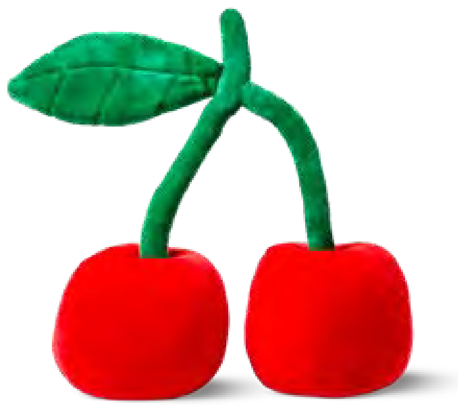
At 31 December 2019, EQT held approximately 99% of the shares and 69% of the voting rights in Zebra A/S through Zebra Lux Holding S.a.r.l. Approximately 0.03% of the shares and 28% of the voting rights were held by Mitco ApS, which is controlled by Lennart Lajboschitz, and approximately 0.8% of the shares and 2.6% of the voting rights are held by the members of the Board of Directors, the Executive Management and a small number of senior Zebra employees.

Diversity

Zebra aims to offer equal opportunities to men and women across its organisation, and it is company policy to promote equal opportunities regardless of gender, ethnicity, race, religion and sexual orientation. When it comes to gender, Zebra aims at a balanced distribution among employees in leadership positions, and is currently composed of 54% male and 46% female members. Zebra defines leadership positions as district leaders, country managers, partners as well as managers at headquarters. Relevant professional qualifications remain the key selection criteria for all positions in the Zebra organisation, and Management will continue to focus on diversity and to evaluate the need for initiatives within this area.

As part of the transformation process, the Company changed its board composition during 2019. Consequently, at the end of 2019, the Board of Directors of Zebra consisted of 6 males. It is still the Board's ambition to increase diversity, including gender representation on the Board. It is the target to have at least two female board members before 2023.

It is the current assessment that the Board has the required qualifications and composition to oversee Zebra's strategic development. Achievement of the target will be sought in connection with ongoing changes to the composition of the Board, where special efforts will be made to ensure that female candidates are identified and participate in the selection process.



Cushion
DKK 40

Gym ball. 65 cm.
Assorted colours
DKK 70

Risk management

The Executive Management is working actively with risk management, including ongoing discussions and assessments of actual and potential risks, in order to ensure that such risks are managed in a proactive and efficient manner. The Board of Directors is ultimately responsible for risk management.

Financial risk

The nature of Zebra's operations, investments and financing arrangements, exposes the Group to financial risks from fluctuations in foreign exchange rates and interest rate levels. The Group's treasury policy is to actively address financial risks in order to mitigate the risk of material impacts on the Group's financial position.

For more information, see note 4.4 to the consolidated financial statements.

Currency risk

Zebra's international activities imply that the Group's financial results, cash flows and equity are exposed to fluctuations in various foreign currencies.

The main exchange rate exposure faced by Zebra relates to the purchase of goods in foreign currency, mainly USD, and net cash flows from foreign subsidiaries. It is the Group's policy to hedge approximately 90%, 80%, 70% and 60% of the currency risk associated with procurement for the following 1–3 months, 4–6 months, 7–9 months and 10–12 months respectively.

Exchange rate exposures related to translation of the financial results and equity of the foreign subsidiaries into Danish Kroner are not hedged.

Interest rate risk

Zebra is exposed to interest rate risk because entities of the Group borrow funds at variable interest rates. Zebra monitors the risk and hedging is applied in order to maintain a mix between fixed and floating rate borrowings in accordance with the Group's treasury policy.

Liquidity risk

Zebra monitors the liquidity flow in order to ensure adequate liquidity resources are available to the Group.

Funding risk

Zebra has credit facilities with covenants, which are customary for such facilities. However, if Zebra fails to comply with the covenants, the lenders may terminate the credit facilities. All covenants are monitored and reported on a regular basis, enabling Zebra to act before a potential breach is approaching.

Credit risk

The Group has limited credit risk exposure related to trade receivables, as revenue transactions are settled by cash, credit or debit cards, and the Group is not exposed to any major credit risk related to trade receivables from any single customer or other party. The Group is exposed to counterparty risk from cash held at financial institutions and unrealised gains on financial contracts.

Stylish storage solution – designed for everyday use. Our own design. Assorted, from **DKK 20**

In addition, the Group is indirectly exposed to credit risk arising from credit insurance companies providing insurance cover to the Group's suppliers. A general reduced risk appetite from the credit insurance companies could have a negative impact on the payment terms offered by the Group's suppliers. Consequently, this may have an impact on net working capital. Zebra is regularly monitoring performance and, if required, proactively engaging with the credit insurance companies.

Tax

As part of Zebra conducting business across 27 countries in our continuing operations, the Group is exposed to potential tax and transfer pricing disputes with local tax authorities. Zebra is committed to ensuring compliance with local tax laws and international transfer pricing regulation in the markets which the Group operates in.

Operational risk

Zebra has identified key operational risks within the areas of:

- Market place
- Sourcing
- Products, trademarks and legal claims
- Partner collaboration and buyout
- People

Market place

Competition

As a retailer, Zebra is exposed to competition from other retailers with a value proposition similar to Zebra's as well as competition from online formats. Zebra has in the begining of

New media line
in our own design.
From **DKK 30**

2020 launched an eCommerce platform in our Danish markets which we are now working on expanding to other markets. To mitigate competition from other retailers, Zebra continues to invest and develop the Flying Tiger Copenhagen brand and concept to maintain the concept's edge and attractive value proposition. The initiatives include continued development of the concept as well as strengthening of the Group's creative capabilities within category management, design and innovation, visual merchandising, marketing, branding and training of the store staff in order to sustain or improve the level of service provided in the stores.

Customer preferences

In line with other retailers, Zebra's assortment needs to meet customer preferences in order for our concept to stay successful. Should we fail to select the right products at the right prices, financial performance will be affected. We continuously review our assortment and actively engage in category management with an aim to constantly improve trend spotting and be updated on market developments.

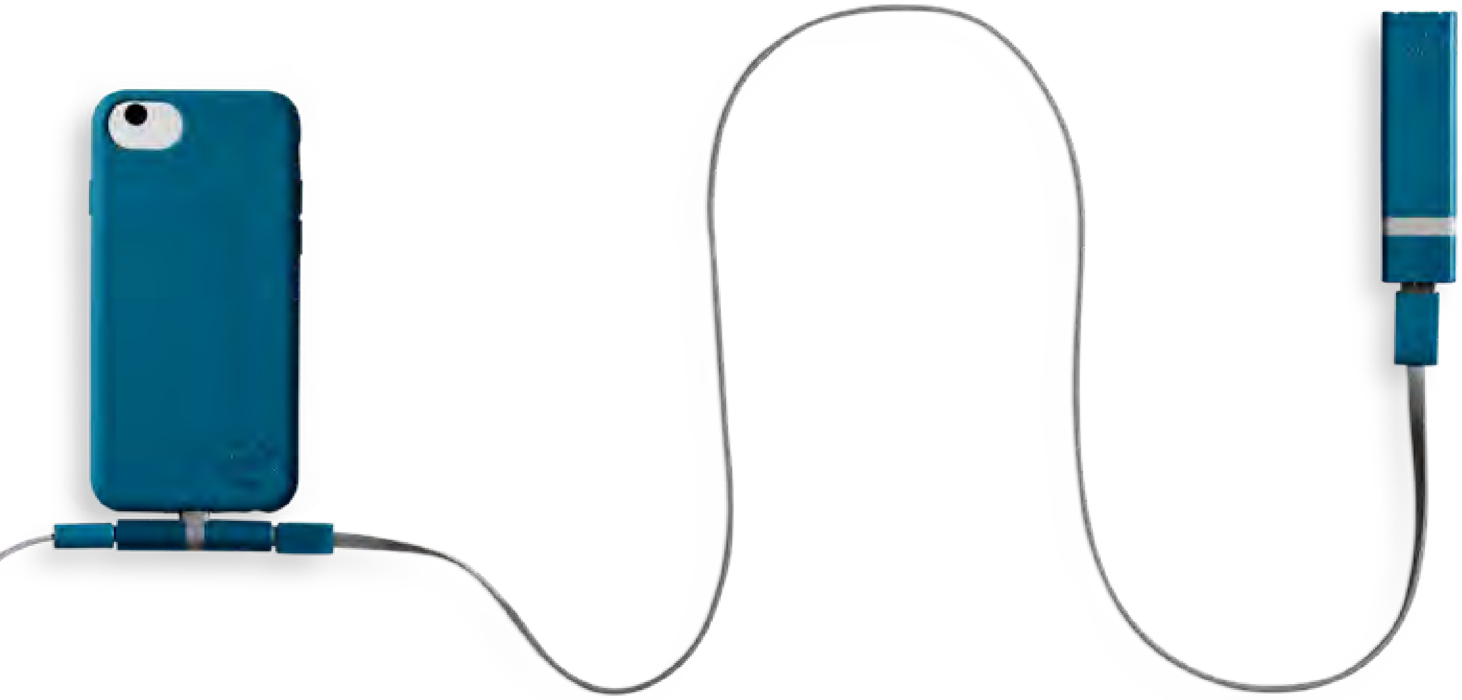
Operation

Zebra's strategy require strong performance. Failure to adequately address performance issues in local markets may impact the Group's financial results. Zebra continuously works on improving its monitoring, business review and controlling, aiming to proactively address any potential disruptions in local markets.

Sourcing

Forecasting

In Zebra, we are constantly strengthening our forecasting tools to better predict demand. Failure to correctly assess demand will impact financial results negatively. Underestimating demand will lead to availability issues and missed sales with limited opportunities for substitution. Similarly, overestimating demand will lead to inventory build-up and potential future write-downs on stock impacting the financial results negatively. This is being monitored very closely.



Assorted spices
DKK 10

Suppliers

Production is outsourced to external suppliers. If the suppliers fail to comply with Zebra's Supplier Code of Conduct, the Group's reputation and brand may be jeopardised. Suppliers must adhere to the Code and compliance is monitored through a supplier audit programme. Please refer to CSR section for further information about Zebra's CSR efforts and results achieved.

Supply chain disruptions

Disruption to our supply chain, both inbound to our warehouses as well as outbound from our warehouses to stores, may cause product shortage and/or longer lead times, which may have a negative impact on our reputation as well as our ability to meet demand, which can negatively impact our financial results. To mitigate such potentially negative impacts, Zebra constantly monitors the supply chain and continues to invest in and build sourcing and supply chain systems, processes and capabilities and holds a marine cargo insurance policy.

Products, trademarks and legal claims

Zebra operates in a number of different legal jurisdictions and introduces around 300 products each month. Failure to comply with local regulations may negatively affect our reputation as well as financial performance. Likewise, violations of our trademarks or product designs as well as damages caused by the use and/or misuse of our products may cause similar effects.

Zebra has policies across our business as well as process controls, which guide our day-to-day operations. Also, Zebra has dedicated teams who focus on legal aspects as well as compliance matters pertaining to our business model. When required, we make use of external advisors.

Partner collaboration and buyout

Zebra has built its success around a 50/50 partnership model in which we share investments, costs and profits with our partners. Zebra owns and develops the concept, brand and supplies the products while the partners carry out the store roll-outs and local day-to-day operations within the jointly developed business plans, framework and guidelines of the partnership agreements. These mechanisms and incentives ensure alignment of interests. Failure to maintain a successful collaboration may adversely affect our financial results. We value our partners and want to continue to work together, maintaining an open and frequent dialogue.

It is part of Zebra's strategy to take full ownership of the local operating companies when this is assessed to be more beneficial than the partner model. Failure to successfully integrate and operate the local operating companies post takeover as well as retain key employees may have a negative impact on Zebra's financial results as well as its reputation. To ensure a continued strong financial performance in, and after, a transformation period, the partner model entails a put or a call notice of one year, allowing Zebra to develop a transition plan together with the partner, ensure timely identification of new management and deploy various measures to ensure retention of local key employees.

People

Zebra relies critically on our ability to attract, motivate and retain highly qualified employees at all levels of the organisation – from store staff and managers to creative and administrative people at head office.

Zebra has a group HR function, which supports the local operating companies and head office in attracting and retaining employees as well as supporing HR projects across markets.

Jug. 700 ml.
Assorted colours
DKK 60

Diversity matters

At Flying Tiger Copenhagen diversity is at the very core of who we are, in everything we do and in how we think. Meet some of our colleagues from around the world.

Lovisa Lindholm, Retail Manager, Sweden

What is diversity to you?

It is about understanding each other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual. It can be along the dimensions of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies.

Why is it important for you to work in a company where diversity matters?

The feeling of being inclusive was what caught my interest in Flying Tiger Copenhagen right away. Everyone was welcome on the same terms; it was obvious to me that Flying Tiger Copenhagen strives and succeeds with a broad diversity of everything from employees to people who are visible in the marketing. There is no other way to go, as I see it. We must strive towards a society where diversity is truly rewarded.

How do you experience diversity within your work?

Everything from the feeling in our stores to the pulse at the head office in Copenhagen, breathe diversity. It is such a natural part of the company that you take it for granted. Our values speak of diversity: We live by "Open Doors", so narrow-mindedness has no room with us. Lennart Lajboschitz has set the ideological foundation of the the company and it lives on no matter what the market and ownership looks like.

What good comes of having a diverse group of colleagues?

We know intuitively that diversity matters. Study after study has shown that diversity leads to more creative teams and increases a company's bottom line. Diversity isn't just about gender or race, it's also about diversity of background and mindset. How could we be creative enough to reach our goals if we all think the same?

Nur Arman Ayoubi, Head of BI and Digital Solutions, Denmark

What is diversity to you?

Diversity for me is the heart and soul of every well-functioning global company. It is about embracing your colleagues across all diversity parameters such as gender, race, ethnic groups, culture, religion, social-economic and political beliefs.

Why is it important for you to work in a company where diversity matters?

It matters to me because a company with employees from a wide range of backgrounds is likely to develop broader and groundbreaking ideas, perspectives and results, which is important for the company and exciting as an employee.

How do you experience diversity within your work?

I am lucky to experience diversity daily as we in my team are colleagues from different cultures and backgrounds such as Greece, Serbia, Uzbekistan and Kazakhstan. To me that is embracing diversity, different ways of working and at the end a beneficial experience for all of us. Basically, a melting pot with various race, gender, mindsets and innovation working towards a common world citizen mentality.

What good comes of having a diverse group of colleagues?

It broadens my view of the world. It enriches me with new ways of thinking hence challenging the old mindset and pushing you towards a personal growth.

Insurance policies

Zebra maintains the following insurance policies covering the Group (incl. joint ventures): Product Liability, D&O, Cyber and Crime as well as Marine Cargo. For compliance reasons, these insurance policies are supplemented with local policies by local group companies. Insurance policies for other types of coverage are maintained by each group company. Consequently, Zebra and other group companies maintain local policies to the extent relevant, such as All Risks, Professional Liability, Workers Injury, Vehicle, Travel, etc.

Special risks

The current pandemic (COVID-19) is expected by Management to have a substantial negative impact on revenue for 2020, due to store closures in most markets in March, April and May and soft trading after the reopening in May/June. The sourcing and delivery of products predominantly from China, was in the beginning of the year, quite unstable, but has somewhat stabilised during early Spring. The expected negative impact on operational and financial performance as well as on liquidity position deriving from the store closures will depend on the duration and extensiveness of the COVID-19 outbreak throughout Europe, which remains unclear as of the date for completing the Annual Report 2019.

We believe the things
we use every day deserve
the most attention.
Bathroom series.
Our own design.
Assorted colours.
From **DKK 20**

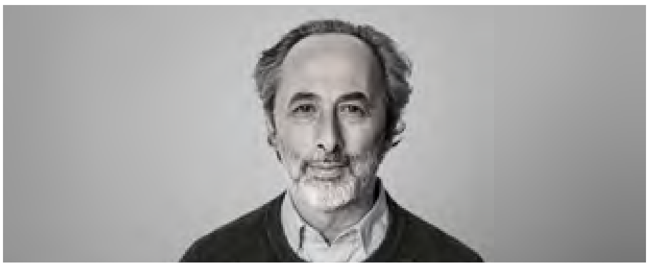
Board of Directors

Vagn Ove Sørensen (1959)
Chairman, Member since 2015

Educational background	M.Sc. Econ. and Business Administration, Aarhus School of Business and Social Sciences
Current position	Professional Board Member
Other positions	Air Canada (Chairman) FLSmidth A/S (Chairman) TIA Technologies A/S (Chairman) Scandlines (Chairman) Nordic Aviation Capital A/S (Advisory Board Member) VFS Global (Board Member) Unilode Aerospace (Board Member) CP Dyvig & Co. A/S (Board Member) Royal Caribbean Cruises Ltd. (Board Member) Braganza AS (Board Member) Rock'n Roll Forever Foundation (Board Member) EQT Partners (Senior Advisor) Morgan Stanley (Senior Advisor)

Jacob Bier (1961)
Vice Chairman, Member since 1998

Educational background	LLM, University of Copenhagen
Current position	Senior counsel, Fried, Frank, Harris, Shriver & Jacobson
Other positions	CERTA Intelligence & Security A/S (Chairman) Bier Brothers Ltd. (Board Member) Hos Fischer ApS (Board Member) Mitco ApS (Board Member)



Lennart Lajboschitz (1959)
Member since 1998

Current position	Board Member and Founder, Zebra A/S
Other positions	Mitco ApS (Chairman) os Fischer ApS (Board Member) GoMore ApS (Board Member) CERTA Intelligence & Security A/S (Board Member) Absalon Sønder Boulevard (Founder and Owner)

Mads Ditlevsen (1976)
Member since 2018

Educational background	M.Sc. in Finance and Accounting, Copenhagen Business School and Case Western Reserve University, Ohio
Current position	Head of EQT Partners, Denmark Responsible Partner for EQT
Other position	Banking Circle (Board Member) HusCompaniet (Board Member) Danish Ventures and Private Equity Association (Board Member)

Anders Misund (1973)
Member since 2019

Educational background	M.Sc. in Business Administration from Norwegian School of Economics and Business Administration.
Current position	Head of EQT PE Nordics
Other positions	Altus (Board member) Curaeos (Board member)

Tore Thorstensen (1951)
Member since 2019

Educational background	MBA-Civilokonom from NHH Bergen (Norwegian School of Economics)
Current position	Professional Board Member, Industrial Advisor EQT. Private Investor.
Other positions	KB Gruppen AS (Chairman) Ø M Fjeld Holding AS (Chairman) Kibord AS (Chairman) Recover Nordic AS (Chairman) Nordic Concrete Group AS (Board member) LY Insurance ASA (Board member)

Executive Management

Martin Jermiin (1976)
Chief Executive Officer

Educational background	M.Sc. Applied Economics & Finance, Copenhagen Business School
Previous experience	Partner, McKinsey & Co CEO, Cembrit Holding Chief Strategy Officer, TDC Investment Banking Analyst, Goldman Sachs International

Christian Kofoed H. Jakobsen (1970)
Chief Financial Officer

Educational background	MBA in Strategy, Bradford University, United Kingdom BA in Finance (HD (F)), Copenhagen Business School
Previous experience	CFO, TOP-TOY A/S Regional Key Account Director, ISS World Services A/S Regional CFO, ISS World Services A/S CEO, Saxo Privatbank A/S Group Treasurer/SVP, ISS World Services A/S
Other positions	SFT A/S (Board member)

We always have hundreds of fun
and inspiring hobby products.
Mixing palette with paint brushes
DKK 50

We want to inspire children – and growing ups – to play and have fun. We have tons of toys and games that match the season

Hola hoop ring
DKK 20

Assorted ceramics.
From **DKK 20**

Consolidated financial statements

Income statement

1 January - 31 December

DKKm	Note	2019	2018
Revenue	2.1	5,226.3	5,252.2
Cost of sales		(2,037.5)	(2,269.7)
Gross profit		**3,188.8**	**2,982.5**
Other external expenses		(640.2)	(1,416.7)
Staff costs	2.2	(1,401.1)	(1,428.9)
Other operating income		4.0	0.4
EBITDA before special items		**1,151.5**	**137.3**
Amortisation and depreciation		(992.6)	(246.2)
Operating profit/(loss) (EBIT) before special items		**158.9**	**(108.9)**
Special items	2.3	(90.7)	(101.1)
Operating profit/(loss) (EBIT)		**68.2**	**(210.0)**
Share of loss in joint ventures	3.4	(4.8)	(6.4)
Financial income	4.6	10.2	1.4
Financial expenses	4.6	(204.1)	(98.2)
Fair value adjustment of call options	4.4	104.9	(223.2)
Loss before tax		**(25.6)**	**(536.4)**
Tax on loss for the year	2.4	(49.2)	38.1
Loss for the year from continuing operations		**(74.8)**	**(498.3)**
Loss for the year from discontinued operations	5.1	(148.8)	(43.1)
Loss for the year		**(223.6)**	**(541.4)**
Loss for the year is attributable to:			
Owners of Zebra A/S		(256.8)	(569.6)
Non-controlling interests		33.2	28.2
Loss for the year		**(223.6)**	**(541.4)**

Statement of other comprehensive income

1 January - 31 December

DKKm	Note	2019	2018
Loss for the year (brought forward)		**(223.6)**	**(541.4)**
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translation of investments in foreign entities		0.9	(2.6)
Exchange rate differences on translation of discontinued investments in foreign entities		(0.3)	(0.3)
Foreign exchange hedging instruments:			
- Realised in inventories		(13.7)	(6.1)
- Realised in cost of sales		(52.5)	(8.7)
- Realised in financial items		(3.8)	-
- Fair value adjustments		43.1	66.7
Tax on hedging instruments		5.9	(11.4)
Other comprehensive income		**(20.4)**	**37.6**
Total comprehensive loss for the year		**(244.0)**	**(503.8)**
Total comprehensive loss for the year is attributable to:			
Owners of Zebra A/S		(277.4)	(532.9)
Non-controlling interests		33.4	29.1
Total		**(244.0)**	**(503.8)**
Total comprehensive loss for the year attributable to owners of Zebra A/S arises from:			
Continuing operations		(94.9)	(460.4)
Discontinued operations		(149.1)	(43.4)
Total		**(244.0)**	**(503.8)**

Balance sheet
31 December

Assets

DKKm	**Note**	**2019**	**2018**
Intangible assets	3.1	246.7	306.3
Right-of-use assets	3.2	2,394.9	-
Property, plant and equipment	3.3	451.4	655.6
Investment in joint ventures	3.4	11.6	17.6
Deposits		103.8	95.5
Derivative financial instruments	4.3, 4.4	555.1	450.2
Deferred tax	2.4	259.7	232.9
Non-current assets		**4,023.2**	**1,758.1**
Inventories	3.5	900.8	1,254.8
Income tax receivables		21.8	31.8
Derivative financial instruments	4.3, 4.4	14.9	42.5
Other receivables	4.3	45.9	65.3
Prepayments		36.3	89.4
Cash and cash equivalents	4.3	379.5	424.3
Assets held for sale	5.1	323.2	-
Current assets		**1,722.4**	**1,908.1**
Assets		**5,745.6**	**3,666.2**

Balance sheet
31 December

Equity and liabilities

DKKm	Note	2019	2018
Share capital	4.1	455.5	0.5
Currency translation reserve		(8.8)	(9.4)
Currency hedging reserve		(0.3)	20.7
Retained earnings		(266.3)	9.5
Capital and reserves attributable to owners of Zebra A/S	4.2	**180.1**	**21.3**
Non-controlling interests		-	-
Total equity		**180.1**	**21.3**
Provisions for the acquisition of non-controlling interests	4.3, 4.5, 4.7	204.3	245.6
Other provisions	3.6	33.5	25.0
Bank debt	4.3, 4.7	1,185.8	1,148.9
Lease liabilities	3.2, 4.3, 4.7	1,862.2	5.9
Deferred considerations	4.3, 4.5, 4.7	-	7.3
Lease incentives		-	64.4
Deferred tax	2.4	3.5	4.2
Other non-current liabilities	4.3	46.3	30.7
Non-current liabilities		**3,335.6**	**1,532.0**
Provisions for the acquisition of non-controlling interests	4.3, 4.5, 4.7	44.6	-
Other provisions	3.6	8.8	33.6
Loans provided by shareholders of non-controlling interests	4.3, 4.7	18.5	44.7
Bank debt	4.3, 4.7	280.3	516.7
Lease liabilities	3.2, 4.3, 4.7	651.0	5.0
Trade payables	4.3	533.5	913.2
Income tax payables	4.3	14.6	17.5
Deferred considerations	4.3, 4.5, 4.7	3.8	92.6
Lease incentives		-	24.2
Derivative financial instruments	4.3, 4.4	5.8	0.8
Other payables	3.7, 4.3	359.0	464.6
Liabilities directly associated with the assets held for sale	5.1	310.0	-
Current liabilities		**2,229.9**	**2,112.9**
Liabilities		**5,565.5**	**3,644.9**
Equity and liabilities		**5,745.6**	**3,666.2**

Statement of changes in equity

1 January - 31 December

DKKm	Share capital	Currency translation reserve	Currency hedging reserve	Retained earnings	Attributable to the owners of Zebra A/S	Non-controlling interests	Total equity
2019							
Equity 01.01.	**0.5**	**(9.4)**	**20.7**	**9.5**	**21.3**	**-**	**21.3**
Loss for the year	-	-	-	(256.8)	(256.8)	33.2	(223.6)
Other comprehensive income for the year, net of tax	-	0.4	(21.0)	-	(20.6)	0.2	(20.4)
Transactions with owners:							
Dividend paid to non-controlling interests	-	-	-	-	-	(71.7)	(71.7)
Fair value adjustment of provisions for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	(3.3)	(3.3)	-	(3.3)
Fair value adjustment of purchase consideration for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	(2.6)	(2.6)	-	(2.6)
Reclassification of the non-controlling interests subject to the put option recognised as a liability	-	0.2	-	(38.5)	(38.3)	38.3	-
Share capital increase	455.0	-	-	25.4	480.4	-	480.4
Equity 31.12.	**455.5**	**(8.8)**	**(0.3)**	**(266.3)**	**180.1**	**-**	**180.1**
2018							
Equity 01.01.	**0.5**	**(6.5)**	**(19.8)**	**507.8**	**482.0**	**-**	**482.0**
Loss for the year	-	-	-	(569.6)	(569.6)	28.2	(541.4)
Other comprehensive income for the year, net of tax	-	(3.8)	40.5	-	36.7	0.9	37.6
Transactions with owners:							
Dividend paid to non-controlling interests	-	-	-	-	-	(43.5)	(43.5)
Fair value adjustment of provisions for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	91.9	91.9	-	91.9
Fair value adjustment of purchase consideration for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	15.3	15.3	-	15.3
Fair value of exercised call options, c.f. Note 4.4	-	-	-	(29.4)	(29.4)	-	(29.4)
Contribution from non-controlling interests	-	-	-	-	-	6.1	6.1
Reclassification of the non-controlling interests subject to the put option recognised as a liability	-	0.9	-	(9.2)	(8.3)	8.3	-
Share capital increase	0.0	-	-	2.7	2.7	-	2.7
Equity 31.12.	**0.5**	**(9.4)**	**20.7**	**9.5**	**21.3**	**-**	**21.3**

Transaction costs of DKK 1.8m (2018: DKK 0m) have been recognised in Retained earnings under Share capital increase.

In accordance with IFRS, where the non-controlling interests have put options that can be exercised to transfer their present ownership interest to the Parent, a liability is recognised corresponding to the redemption amount, and the subsidiaries are fully consolidated, with no recognition of a non-controlling interest at the reporting date. Changes in the value of these liabilities as well as differences upon settlement, are accounted for directly in equity. At 31 December 2019, the accumulated changes and differences upon settlement amount to DKK -938.7m (2018: DKK -932.8m) included in equity. With effect from 1 January 2018 the fair value of the call options over the remaining ownership interests is recognised in the balance sheet. At 1 January 2019 the effect was DKK 450.2m (2018: DKK 702.8m) recognised in the opening in equity and fair value adjusted over the income statement to DKK 555.1m at 31 December 2019 (2018: DKK 450.2m). Additional details on the impact are provided in note 4.2.

Cash flow statement
1 January - 31 December

DKKm	Note	2019	2018
Operating profit/(loss) (EBIT) before special items		**35.3**	**(155.4)**
Amortisation and depreciation		1,089.7	260.1
Special items paid		(71.9)	(82.0)
Working capital changes	3.8	(37.0)	(61.9)
Other non-cash adjustments		(52.5)	196.8
Interest income received		1.9	0.6
Interest expenses paid		(206.5)	(64.9)
Taxes paid		(48.8)	(88.9)
Cash flows from operating activities		**710.2**	**4.4**
Investment in intangible assets		(23.0)	(65.1)
Sale of intangible assets		-	0.8
Investment in right-of-use assets		(5.5)	-
Sale of right-of-use assets		1.3	-
Investment in property, plant and equipment		(58.2)	(241.2)
Sale of property, plant and equipment		5.0	0.8
Deposits paid		(16.2)	(14.5)
Deposits received		6.7	7.8
Cash flows from investing activities		**(89.9)**	**(311.4)**
Free cash flow		**620.3**	**(307.0)**
Contribution from non-controlling interests		-	0.1
Acquisition of non-controlling interests	4.5, 4.7	(98.7)	(287.6)
Share capital increase		476.1	2.7
Proceeds from loans provided by shareholders of non-controlling interests	4.7	1.7	17.1
Repayment of loans provided by shareholders of non-controlling interests	4.7	(4.3)	(11.3)
Repayment of lease liabilities	4.7	(724.0)	(7.7)
Proceeds from loans and borrowings	4.7	268.9	613.5
Repayment of loans and borrowings	4.7	(480.5)	(72.0)
Dividend paid to non-controlling interests		(71.7)	(43.5)
Cash flows from financing activities		**(632.5)**	**211.3**
Decrease in cash and cash equivalents		**(12.2)**	**(95.7)**
Cash and cash equivalents at 1 January		424.3	519.6
Unrealised exchange gains/(losses) included in cash and cash equivalents		5.4	0.4
Cash reclassified to discontinued operations		(38.0)	-
Cash and cash equivalents at 31 December		**379.5**	**424.3**

Please see note 5.1 for a specification of cash flows of discontinued operations.
Unutilised credit facilities for the Group were DKK 413.0m at 31 December 2019 (2018: DKK 317.9m).
The cash flow cannot be derived directly from the income statement and the balance sheet.

Section 1 Basis of preparation

This section

Zebra presents its consolidated financial statements in accordance with IFRS. This section sets out Zebra's significant accounting policies, Management's key accounting estimates, new IFRS requirements and other accounting policies in general. A detailed description of accounting policies and significant estimates related to specific reported amounts is presented in the notes to which they relate. Furthermore, this section shows the effect on the main financial statements of implementing IFRS 16 Leases.

1.1 General accounting policies

The Annual Report for the period 1 January – 31 December 2019 comprises the consolidated financial statements of the Parent Company Zebra A/S and subsidiaries controlled by the Parent Company (the Group) as well as separate financial statements for the Parent Company Zebra A/S.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements applying to entities of reporting class C (large).

Basis for measurement
The consolidated financial statements are presented in Danish kroner (DKK), which is the Parent Company's functional currency.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments including call options and provisions for the acquisition of non-controlling interests, which are measured at fair value.

Going concern
The consolidated financial statements have been prepared on a going concern basis. The Group has in response to the COVID-19 outbreak strengthen its liquidity position by obtaining a new credit facility of DKK 500m, equity contribution of DKK 150m from shareholders and taken initiatives to reduce costs and purchase of goods. Please refer to Operating and financial review page 17 and note 5.5 for more information.

Accounting policies
The accounting policies as described below and in the respective notes have been used consistently for the financial year and are unchanged from last year except for changes following the adoption of IFRS 16. Please see below section 'Implementation of new or amended standards and interpretations'.

Accounting policies related to specific line items are described in connection with the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies. Accounting policies not directly related to a specific line item covered by a note are presented below.

Basis for consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Subsidiaries controlled by the Parent Company are fully consolidated from the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. Control is obtained when the Parent Company directly or indirectly owns or controls more than 50% of the voting rights in the subsidiary or has control in some other way. The financial statements of the controlled subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions are eliminated in full.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value at the date that control is lost.

Entities, which by agreement are managed jointly with one or more other parties, are considered joint ventures. Joint ventures are consolidated using the equity method.

Foreign currencies
Transactions denominated in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

1.1 General accounting policies (continued)

Transactions and balances
On initial recognition, transactions denominated in foreign currencies are recognised by the Group entities at their functional currency rates prevailing at the date of the transaction. Monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. Foreign exchange adjustments are recognised in the income statement under financial items.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. An average exchange rate for the month is used at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date.

Group companies with another functional currency than DKK
The assets and liabilities of foreign subsidiaries are translated into the functional currency at the rate of exchange prevailing at the reporting date, and income statements and cash flow statements are translated at exchange rates prevailing at the dates of the transactions. An average exchange rate for the month is used at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation are recognised in other comprehensive income.

Equity
Currency translation reserve
The currency translation reserve in equity comprises foreign exchange differences relating to the translation of the results and net assets of the foreign subsidiaries from their functional currencies into the presentation currency used by Zebra A/S (DKK). Translation adjustments are reclassified to the income statement on the disposal of the foreign operation.

Currency hedging reserve
The currency hedging reserve in equity comprises changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

Cash flow
Cash flows from operating activities are determined using the indirect method.

Cash flows from investing activities mainly comprise purchase of intangible assets, property, plant and equipment and business combinations.

Cash flows from financing activities comprise dividend paid, proceeds and repayments of loans and borrowings and repayment of lease liabilities, changes in non-controlling interest' ownership share and share capital increase.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction dates.

Implementation of new or amended standards and interpretations
The Group has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2019, most significantly:

IFRS 16 Leases
IFRS 16 'Leases', with effective date 1 January 2019, requires that all leases are to be recognised in the balance sheet with a corresponding lease liability, except for short-term leases and leases of low-value assets. Right-of-use assets are depreciated over the lease term, and payments are allocated between instalments on the lease obligation and interest expense, classified as financial items.

This has had a significant impact on the consolidated financial statements as the Group's business model is based on leasing rather than owning property, plant and equipment. The Group has entered into a significant number of lease agreements for various items of property, cars, store furniture and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases
The Group recognised the right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. For short-term leases and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis presented within other external expenses in profit or loss.

The standard has been implemented using the modified retrospective approach with the cumulative effect of initially applying IFRS 16 recognised in the opening balance at the date of initial application, instead of restating comparative information. The new accounting policies are disclosed in note 3.2. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group has applied the standards specific transition requirements and has chosen to apply several practical expedients available on transition to IFRS 16. In particular, the Group:

- has chosen not to reassess whether a contract is or contain a lease,
- has relied on its assessment of whether leases are onerous applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' immediately before the date of initial application as an alternative to performing an impairment review,

1.1 General accounting policies (continued)

- has used a single incremental borrowing rate to a portfolio of similar characteristics, and
- used hindsight when determining the lease term

Please see note 1.3 for a description of the effect of IFRS 16 on the consolidated financial statements for 2019.

The implementation of other amended standards has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

Standards issued but not yet effective
The IASB has issued several new IFRS standards, amended standards, revised standards and interpretations, which are effective for financial years beginning on or after 1 January 2020. The Group expects to adopt the standards and interpretations when they become effective. The adoption of these standards and amendments is not expected to have a material impact on the consolidated financial statements of the Group in future periods.

1.2 Significant accounting estimates and judgments

The consolidated financial statements have been prepared to give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2019. The Executive Management makes various accounting estimates and judgments which affect the consolidated financial statements.

The judgments, estimates and assumptions made are based on historical experience and other factors that the Executive Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

The Group is subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Information about judgment, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes of which the Executive Management regards as significant estimates and judgments:

- Consolidation of entities in which the Group holds a 50% ownership interest (cf. below),
- Valuation of deferred tax assets (note 2.4),
- Implementation of IFRS 16 and measurement, revaluation and impairment test of right-of-use assets (note 1.3 and 3.2),
- Write-downs against the carrying amount of inventories (note 3.5),
- Fair value measurement of call options (note 4.4),
- Provisions for the acquisition of non-controlling interests (note 4.5) and
- Assessment of potential impact from events after balance sheet date (COVID-19 outbreak) and the responses taken by the Group (note 5.5 and 1.1).

Apart from these, several other significant estimates and judgments have been applied. Please refer to the notes for further information.

Consolidation of entities in which the Group holds a 50% ownership interest
The Group considers that it controls several entities even though it does not hold the majority of the voting rights in the entities. The assessment of whether the Group controls an entity is based on an evaluation of whether the Group has the current ability to direct the relevant activities of the entity. The Group holds call options to acquire all remaining outstanding shares, including the voting rights related to these shares. All call options are currently exercisable. Zebra A/S has also entered into shareholders agreements (partnership agreements) with the other investors (partners) and supply agreements etc. that give Zebra A/S substantial rights, including in connections with a deadlock situation. Accordingly, the Group considers at a balanced view that these potential voting rights and other rights in all substance give rise to the existence of control at the reporting date.

Non-controlling interests
Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

The non-controlling ownership interest, which is subject to the put option, is reclassified as a liability at the end of the reporting period, as if the acquisition took place at that date. Any difference between the exercise price of the put option and the net assets allocated to the non-controlling interest is recognised as an adjustment to retained earnings.

1.3 Implementation impact of IFRS 16 Leases

IFRS 16 has been adopted using the modified retrospective approach and therefore the comparative information has not been restated. The reclassifications and adjustments arising from the adoption of IFRS 16 are therefore not reflected in the balance sheet as of 31 December 2018, but are recognised in the opening balance sheet on 1 January 2019.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.7%.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. Accordingly, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Effect on the opening balance at 1 January 2019

DKKm	31 Dec 2018 as originally presented	IFRS 16 changes	1 Jan 2019 restated
Intangible assets	306.3	(43.0)	263.3
Right-of-use assets	-	3,285.1	3,285.1
Property, plant and equipment	655.6	-	655.6
Non-current assets	**1,758.1**	**3,242.1**	**5,000.2**
Other receivables	65.3	(2.4)	62.9
Prepayments	89.4	(49.0)	40.4
Current assets	**1,908.1**	**(51.4)**	**1,856.7**
Assets	**3,666.2**	**3,190.7**	**6,856.9**
Lease liabilities	5.9	2,667.9	2,673.8
Lease incentives	64.4	(64.4)	-
Non-current liabilities	**1,532.0**	**2,603.5**	**4,135.5**
Other provisions	33.6	(28.7)	4.9
Lease liabilities	5.0	681.2	686.2
Lease incentives	24.2	(24.2)	-
Trade payables	913.2	(25.7)	887.5
Other payables	464.6	(15.4)	449.2
Current liabilities	**2,112.9**	**587.2**	**2,700.1**
Liabilities	**3,644.9**	**3,190.7**	**6,835.6**
Equity and liabilities	**3,666.2**	**3,190.7**	**6,856.9**

1.3 Implementation impact of IFRS 16 Leases (continued)

Reconciliation between operating lease commitments at 31 December 2018 under IAS 17 and lease liability recognised at 1 January 2019 at adoption of IFRS 16

DKKm	1 January 2019
Operating lease commitments at 31 December 2018 under IAS 17	2,148.3
Discounted using the incremental borrowing rate at 1 January 2019	(227.2)
Finance lease liabilities recognised as at 31 December 2018	10.9
Recognition exemption for short term and low-value leases	(2.0)
Termination options reasonably certain not to be exercised and extension options reasonably certain to be exercised	1,430.0
Total lease liability at 1 January 2019 under IFRS 16	**3,360.0**

The tables below show the amount of impact for each financial statement line item affected by the application of IFRS 16 for the current year. Line items that were not affected by the changes have not been included. Accordingly, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Effect on the income statement

DKKm	IAS 17 2019	IFRS 16 2019	Change 2019
Other external expenses	(1,395.7)	(640.2)	755.5
EBITDA before special items	**396.0**	**1,151.5**	**755.5**
Amortisation and depreciation	(246.8)	(992.6)	(745.8)
Operating profit/(loss) (EBIT) before special items	**149.2**	**158.9**	**9.7**
Operating profit/(loss) (EBIT)	**58.5**	**68.2**	**9.7**
Financial expenses	(103.0)	(204.1)	(101.1)
Profit/(loss) before tax	**66.5**	**(25.6)**	**(92.1)**
Tax on profit/(loss) for the year	(68.1)	(49.2)	18.9
Profit/(loss) for the year from continuing operations	**(1.6)**	**(74.8)**	**(73.2)**
Loss for the year from discontinued operations	(143.2)	(148.8)	(5.6)
Loss for the year	**(144.8)**	**(223.6)**	**(78.8)**

1.3 Implementation impact of IFRS 16 Leases (continued)

Effect on the balance sheet

DKKm	IAS 17 2019	IFRS 16 2019	Change 2019
Intangible assets	283.6	246.7	(36.9)
Right-of-use assets	-	2,394.9	2,394.9
Property, plant and equipment	483.8	451.4	(32.4)
Investment in joint ventures	12.3	11.6	(0.7)
Deferred tax	246.6	259.7	13.1
Non-current assets	**1,685.2**	**4,023.2**	**2,338.0**
Prepayments	89.0	36.3	(52.7)
Assets held for sale	63.8	323.2	259.4
Current assets	**1,515.7**	**1,722.4**	**206.7**
Assets	**3,200.9**	**5,745.6**	**2,544.7**
Currency translation reserve	(8.5)	(8.8)	(0.3)
Retained earnings	(187.5)	(266.3)	(78.8)
Capital and reserves attributable to owners of Zebra A/S	**259.2**	**180.1**	**(79.1)**
Total equity	**259.2**	**180.1**	**(79.1)**
Lease liabilities	2.7	1,862.2	1,859.5
Lease incentives	49.6	-	(49.6)
Non-current liabilities	**1,525.7**	**3,335.6**	**1,809.9**
Other provisions	37.5	8.8	(28.7)
Lease liabilities	3.4	651.0	647.6
Lease incentives	15.0	-	(15.0)
Trade payables	575.5	533.5	(42.0)
Other payables	366.3	359.0	(7.3)
Liabilities directly associated with the assets held for sale	50.7	310.0	259.3
Current liabilities	**1,416.0**	**2,229.9**	**813.9**
Liabilities	**2,941.7**	**5,565.5**	**2,623.8**
Equity and liabilities	**3,200.9**	**5,745.6**	**2,544.7**

Effect on the statement of cash flows

DKKm	IAS 17 2019	IFRS 16 2019	Change 2019
Operating profit/(loss) (EBIT) before special items	20.3	35.3	15.0
Amortisation and depreciation	269.4	1,089.7	820.3
Working capital changes	(33.1)	(37.0)	(3.9)
Interest expenses paid	(92.0)	(206.5)	(114.5)
Cash flows from operating activities	**(6.7)**	**710.2**	**716.9**
Repayment of lease liabilities	(5.0)	(724.0)	(719.0)
Cash flows from financing activities	**86.5**	**(632.5)**	**(719.0)**
Decrease in cash and cash equivalents	**(10.1)**	**(12.2)**	**(2.1)**
Unrealised exchange gains/(losses) included in cash and cash equivalents	3.3	5.4	2.1
Cash and cash equivalents at 31 December	**379.5**	**379.5**	**-**

Section 2 Results for the year

This section

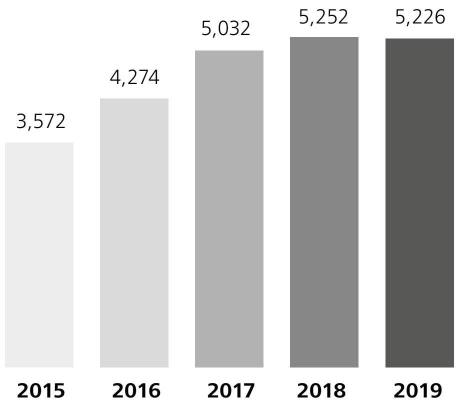
Note 2.1 Revenue
Note 2.2 Staff costs
Note 2.3 Special items
Note 2.4 Income taxes and deferred tax

This section comprises notes related to the results for the year including revenue, staff costs, special items and tax.

In 2019, Zebra's revenue was DKK 5,226m, compared to DKK 5,252m in 2018, corresponding to -0.5% decline.

The 2019 figures and the comparable figures for 2018 are excluding discontinued operations.

Revenue (DKKm)



27
(2018: 28)
Number of countries

909
(2018: 915)
Number of stores incl. Japanese joint venture

5,678
(2018: 5,941)
Average number of FTE

2.1 Revenue

Accounting policies
The Group operates a chain of retail stores selling a wide range of affordable products within categories ranging from home, kitchen, hobby and party to toys, electronics and gadgets, foods and accessories.

Revenue from the sale of the goods is recognised when a group entity sells a product to a customer and thereby transfers the control of the goods to the customer at that point of time.

The Group's sales to customers are cash sales without any variable consideration elements. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in the store.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties.

A provision of DKK 0.3m (2018: DKK 2.8m) has been recognised for returned goods.

The table below shows the Group's revenue broken down by geographical regions:

DKKm	**2019**	**2018**
Geographical regions		
Northern Europe	1,157.1	1,236.4
Central Europe	646.7	626.6
Western Europe	1,393.8	1,395.5
Southern Europe	1,951.9	1,914.7
Asia	76.8	79.0
Total	**5,226.3**	**5,252.2**

*Comparable figures for 2018 have been restated to reflect the reclassification of discontinued operations.

2.2 Staff costs

Accounting policies

Salaries and wages, social security contributions, leave and sick leave, bonuses and non-monetary benefits are recognised in the period in which employees of the Group render the services.

Termination benefits are recognised at the time an agreement between the Group and the employee is made and the employee in exchange for the benefits provides no future service.

DKKm	2019	2018
Salaries and wages	1,153.6	1,181.3
Pension contributions	55.6	54.9
Other social security costs	177.7	171.5
Other staff costs	25.0	33.1
Total	**1,411.9**	**1,440.8**
Capitalised salaries and wages related to development projects	(10.8)	(11.9)
Recognised in the income statement	**1,401.1**	**1,428.9**
Average number of full-time equivalents	**5,678**	**5,941**

*Comparable figures for 2018 have been restated to reflect the reclassification of discontinued operations.

Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management*	25.6	10.6
Total remuneration, Board of Directors	1.2	1.8
Total	**26.8**	**12.4**

Remuneration for the Executive Management and the Board of Directors		
Salaries and wages*	24.6	11.4
Pensions	2.2	1.0
Total	**26.8**	**12.4**

*Includes severance payments.

No member of the Board of Directors received a consultancy fee in 2019 (2018: DKK 0.4m).

2.3 Special items

Accounting policies

Special items include significant income and expenses of a special non-recurring nature which cannot be attributed directly to the Group's ordinary operating activities. Such income and expenses relate to significant restructuring of processes and fundamental structural adjustment, as well as gains or losses arising in this connection, and which are significant over time.

These items are classified separately in the income statement, in order to provide a more transparent view of the Group's recurring operating profit.

DKKm	2019	2018
Transformation program	62.2	-
Costs associated with the establishment of new management team	25.6	8.3
Costs related to the fire on the vessel Maersk Honam	2.8	20.7
Implementation of GDPR	0.1	3.3
Costs related to strategy project	-	62.2
Restructuring of subsidiaries	-	3.2
Costs related to acquisition of non-controlling interests	-	1.8
Establishment in new markets	-	1.6
Total	**90.7**	**101.1**

*Comparable figures for 2018 have been restated to reflect the reclassification of discontinued operations.

2.4 Income taxes and deferred tax

Accounting policies

Income tax for the year, comprising the year's current tax and the change to deferred tax, is recognised in the income statement with the amount that can be attributed to the net profit or loss for the year and under other comprehensive income with the amount that can be attributed to items under other comprehensive income.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. No deferred tax is recognised for goodwill, unless amortisation of goodwill for tax purposes is allowed.

Deferred tax is measured on the basis of the tax rules and the tax rate enacted in the respective countries on the balance sheet date.

Changes in deferred tax due to tax rate changes are recognised in the income statement, except to the extent that they relate to items recognised either in other comprehensive income or directly in equity.

Significant accounting estimates and judgments

The Group recognises deferred tax assets including the expected tax value of tax losses carried forward, if the Executive Management assesses that these tax assets can be offset against positive taxable income within the Group's budgeting period that exceeds realisation of deferred tax liabilities. The Executive Management assesses tax assets and liabilities at least annually based on dialogue with tax advisors, business plans for the coming years, including other planned commercial initiatives.

The Executive Management considers it probable that an amount of DKK 256.2m in tax assets can be offset against positive taxable income within the next five years while an amount of DKK 68.2m at year-end 2019 in tax assets has been removed by way of a valuation allowance.

However, the amount of tax assets not shown in the balance sheet can still be carried forward to be offset against future taxable income after the budgeting period. Of the total deferred tax assets recognised, DKK 30.5m (2018: DKK 103.5m) is related to tax loss carry-forwards.

2.4 Income taxes and deferred tax (continued)

Tax costs

DKKm	2019	2018
Current tax	80.2	63.3
Adjustment to current tax concerning previous years	(0.5)	(1.2)
Change in deferred tax during the year	(30.2)	(110.1)
Impact from change in tax rate to deferred tax	(0.1)	0.3
Adjustment to deferred tax concerning previous years	(0.2)	9.6
Total	**49.2**	**(38.1)**

Tax reconciliation

DKKm	2019	2018
Loss before tax	(25.6)	(536.4)
Calculated 22.0% on loss before tax	(5.6)	(118.0)
Difference in local tax rate compared to Parent's tax rate of 22.0%	3.1	8.1
Tax effect from:		
Non-taxable income and non-deductible expenses	(3.8)	56.0
Impact from change in the tax rates	(0.1)	0.3
Impact of non-recognised tax losses to be carried forward and value adjustments	56.4	12.4
Adjustments concerning previous years	(0.8)	3.1
Total	**49.2**	**(38.1)**
Effective tax rate	**-192.1%**	**7.1%**

Deferred tax

DKKm	2019	2018
Deferred tax assets	272.3	232.9
Deferred tax liabilities	(3.5)	(4.2)
Reclassified to assets held for sale	(12.6)	-
Total	**256.2**	**228.7**

2.4 Income taxes and deferred tax (continued)

DKKm	Deferred tax 01.01.	Adjustment on adoption of IFRS 16	Exchange rate adjustment	Recognised in profit or loss	Recognised in profit or loss regarding assets held for sale	Recognised in other comprehen-sive income	Reclassed to Asset held for sale	Deferred tax 31.12.
2019								
Intangible assets	10.2	-	0.1	8.9	-	-	0.1	19.3
Right-of-use assets	-	(833.3)	-	245.5	(80.6)	-	80.6	(587.8)
Property, plant and equipment	19.0	-	-	9.5	0.7	-	1.4	30.6
Inventories	65.9	-	0.2	(16.8)	-	-	-	49.3
Lease liabilities	-	833.3	-	(223.6)	83.1	-	(83.1)	609.7
Provisions	8.2	-	-	(8.9)	-	-	0.2	(0.5)
Foreign exchange hedging	(5.8)	-	-	-	-	5.9	-	0.1
Tax losses to be carried forward	115.3	-	-	53.7	(0.4)	-	-	168.6
Valuation allowances	(11.8)	-	-	(56.4)	(0.8)	-	0.8	(68.2)
Interest limitation balance	4.0	-	-	3.8	-	-	-	7.8
Other	23.7	-	-	14.8	1.4	-	(12.6)	27.3
Deferred tax	**228.7**	**-**	**0.3**	**30.5**	**3.4**	**5.9**	**(12.6)**	**256.2**
2018								
Intangible assets	2.4	-	(0.1)	7.9	-	-	-	10.2
Property, plant and equipment	6.1	-	-	12.9	-	-	-	19.0
Inventories	26.3	-	(0.1)	39.7	-	-	-	65.9
Provisions	(0.1)	-	0.1	8.2	-	-	-	8.2
Foreign exchange hedging	5.6	-	-	-	-	(11.4)	-	(5.8)
Tax losses to be carried forward	79.9	-	-	35.4	-	-	-	115.3
Valuation allowances	0.6	-	-	(12.4)	-	-	-	(11.8)
Interest limitation balance	0.6	-	-	3.4	-	-	-	4.0
Other	15.3	-	-	8.4	-	-	-	23.7
Deferred tax	**136.7**	**-**	**(0.1)**	**103.5**	**-**	**(11.4)**	**-**	**228.7**

Unrecognised tax loss carry-forwards amount to DKK 68.2m (2018: DKK 11.8m).

Section 3 Invested capital and working capital items

This section

The notes in this section present details on the operating assets that form the basis for the activities of the Group, and the related liabilities.

Net working capital

DKKm	2019	2018
Inventories	901	1,255
Other receivables	46	65
Prepayments	36	89
Trade payables	(534)	(913)
Other payables	(359)	(465)
Lease incentives	-	(88)
Net working capital	**90**	**(57)**

Invested capital

DKKm	2019	2018
Intangible assets	247	306
Right-of-use assets	2,395	-
Property, plant and equipment	451	656
Investment in joint ventures	12	18
Deposits	104	96
Net working capital	90	(57)
Other provisions	(42)	(59)
Derivative financial instruments	9	42
Other non-current liabilities	(46)	(31)
Net income tax	7	14
Net deferred tax	256	229
Invested capital	**3,483**	**1,214**

3.1 Intangible assets

Accounting policies

Goodwill

Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets, liabilities and contingent liabilities. Subsequently to initial recognition, goodwill is measured at cost less impairment losses. Goodwill is not amortised and impairment loss charges in previous years are not reversed.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation.

Amortisation is carried out systematically over the expected useful lives of the assets:

- Leasehold rights; Lease term
- Trademarks; 5-20 years
- Licenses and software; a maximum of 5 years
- Group-wide software developed for internal use; a maximum of 10 years

Group-wide software developed for internal use includes external costs to consultants, licenses and software as well as internal costs related to the development and are included in Licenses and software.

Intangible assets in progress and assets with an indefinite useful life are measured at cost less impairment losses.

Significant accounting estimates and judgments

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the recoverable amount of the asset.

Goodwill

Goodwill relates primarily to acquisition of a few Danish stores in the period 2006 to 2011 and the acquisition of J.H.L. ApS in 2015.

The carrying amount of goodwill is tested annually for impairment. The recoverable amount is calculated as the present value of future net cash flows (value in use) from the activity to which the goodwill is allocated.

The estimate of the future free net cash flows is based on budgets and business plans for 2020 and projections for the following years.

Key parameters are revenue development, profit margins, capital expenditures and growth expectations for the following years. Key factors that could trigger an impairment test include a macro economy downscaling and changes to the competitive environment.

A pre-tax discount rate of 7.2% is used to calculate recoverable amounts, representing the weighted average cost of capital. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment tests of goodwill resulted in recognition of an impairment loss of DKK 0.9m relating to a store in Denmark (2018: DKK 0m).

Development projects in progress

For development projects in progress, including assets developed internally, the Executive Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. In the Executive Management’s opinion, the development projects qualify for recognition.

The carrying amount of development projects in progress is tested annually for impairment. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of estimated future earnings or savings, interest rates and risks. The impairment tests of development projects in progress did not show any need for impairment losses to be recognised in 2019 (2018: DKK 0m).

Other intangible assets with an indefinite useful life

Licenses and software includes a carrying amount of DKK 3.2m (2018: DKK 3.2m) related to REACH authorisations which are considered to have an indefinite useful life.

Other intangible assets with an indefinite useful life are tested annually for impairment. The impairment test is performed on the basis of various factors, including future use of the authorisations. The impairment tests did not show any need for impairment losses to be recognised in 2019 (2018: DKK 0m).

3.1 Intangible assets (continued)

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
2019						
Cost 01.01.	19.5	86.1	0.8	314.3	8.2	428.9
Reclassified to right-of-use assets	-	(86.1)	-	-	-	(86.1)
Exchange rate adjustment	-	-	-	0.1	-	0.1
Additions	-	-	-	1.2	-	1.2
Additions, internal development	-	-	-	0.1	21.7	21.8
Transfer	-	-	-	5.6	(5.3)	0.3
Disposals	(0.7)	-	-	(0.4)	-	(1.1)
Reclassified to assets held for sale	-	-	-	(0.8)	-	(0.8)
Cost 31.12.	**18.8**	**-**	**0.8**	**320.1**	**24.6**	**364.3**
Amortisation 01.01.	(3.6)	(43.1)	(0.1)	(75.8)	-	(122.6)
Reclassified to right-of-use assets	-	43.1	-	-	-	43.1
Exchange rate adjustment	-	-	-	(0.2)	-	(0.2)
Amortisation	-	-	-	(37.5)	-	(37.5)
Impairment losses	(0.9)	-	-	-	-	(0.9)
Transfer	-	-	-	(0.3)	-	(0.3)
Disposals	-	-	-	0.4	-	0.4
Reclassified to assets held for sale	-	-	-	0.4	-	0.4
Amortisation 31.12.	**(4.5)**	**-**	**(0.1)**	**(113.0)**	**-**	**(117.6)**
Carrying amount 31.12.	**14.3**	**-**	**0.7**	**207.1**	**24.6**	**246.7**
2018						
Cost 01.01.	19.5	78.7	0.8	250.3	19.2	368.5
Exchange rate adjustment	-	(0.5)	-	-	-	(0.5)
Additions	-	13.6	-	15.9	-	29.5
Additions, internal development	-	-	-	27.9	7.7	35.6
Transfer	-	(4.0)	-	20.2	(18.7)	(2.5)
Disposals	-	(1.7)	-	-	-	(1.7)
Cost 31.12.	**19.5**	**86.1**	**0.8**	**314.3**	**8.2**	**428.9**
Amortisation 01.01.	(3.6)	(36.3)	(0.1)	(42.9)	-	(82.9)
Exchange rate adjustment	-	0.1	-	-	-	0.1
Amortisation	-	(9.9)	-	(31.9)	-	(41.8)
Impairment losses	-	(0.2)	-	-	-	(0.2)
Transfer	-	2.4	-	(1.0)	-	1.4
Disposals	-	0.8	-	-	-	0.8
Amortisation 31.12.	**(3.6)**	**(43.1)**	**(0.1)**	**(75.8)**	**-**	**(122.6)**
Carrying amount 31.12.	**15.9**	**43.0**	**0.7**	**238.5**	**8.2**	**306.3**

Net loss from disposal of intangible assets amounts to DKK 0.7m (2018: DKK 0.1m).

3.2 Right-of-use assets and lease liabilities

Accounting policies

The Group has applied IFRS 16 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The Group has applied IFRS 16 to lease contracts related to stores, offices, cars, store furniture and other equipment. The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract entered into on or after 1 January 2019, the Group assesses whether a contract is, or contains, a lease, i.e. the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group has a large number of individual leases, primarily related to leasing of store premises and offices. The lease terms vary between markets from a few years to being rolling without a defined end date. Several of the lease contracts include extension and termination options. Most of the lease contracts include mechanisms for rent adjustments either as a fixed percentage increase, as an adjustment based on local price indices or as market rent reviews. Many store related lease contracts also include variable rent based on revenue.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. When the lease liabilities are remeasured, (please see section 'Lease liabilities'), a corresponding adjustment is made to the carrying amount of the right-of-use assets.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use assets are periodically reduced by any impairment losses.

Lease liabilities

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases after applying IFRS 16, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

For contracts entered into on or after 1 January 2019, the Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as at the commencement date.

The Group determines its incremental borrowing rate by adjusting the interest from various external financing sources with adjustments specific to the market related to the lease contract.

The Group assesses at lease commencement date whether it is reasonably certain to exercise extension or termination options. If there is a significant event or significant changes in circumstances within the Group's control the Group reassesses whether it is reasonably certain to exercise the options.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if the Group changes its assessment of whether it will exercise an extension or a termination option or if there is a revised in-substance fixed lease payment.

Comparative information for 2018

The comparative figures for 2018 have been accounted for using IAS 17 where the finance lease obligation was measured at amortised cost. Lease payments were allocated between the lease obligation and finance expenses so that a constant rate of interest was recognised on the outstanding finance balance. Operating leases were expensed on a straight line basis over the lease term and reported under other external costs.

Significant accounting estimates and judgments

Life of lease

When assessing the life of these leases, the Group considers the options where the Group is reasonably certain to either terminate or extend the contracts based on the profitability level of the store. The lease period varies depending on whether the contract has any termination and extension options. Approximately 70% of the property lease contracts have such options. Average life of lease at balance sheet date was approximately 3.5 years.

Right-of-use assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the recoverable amount of the asset.

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and right of use assets. This includes determining contracts in scope of IFRS 16, the contract terms and interest rate used for discounting the cash flows.

The impairment test of right-of-use assets resulted in a recognition of an impairment loss of DKK 32.9m relating to Denmark, Spain, the UK, Norway, Poland, Sweden and France.

The lease term determinated by the Group generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise the option.

Lease liabilities

The maturity analysis is based on all undiscounted cash flows, including estimated interest payments, which are estimated based on the current market conditions.

3.2 Right-of-use assets and lease liabilities (continued)

Right-of-use assets

DKKm	Property	Cars	Other equipment	Store furniture	Total
2019					
Carrying amount 01.01. (included in property, plant and equipment in prior years)	0.5	-	0.6	10.8	11.9
Recognised on adoption 01.01.	3,275.9	6.0	3.2	-	3,285.1
Restated balance 01.01.	3,276.4	6.0	3.8	10.8	3,297.0
Exchange rate adjustment	25.5	-	-	-	25.5
Additions	256.3	2.4	0.4	-	259.1
Adjustment due to remeasurement of lease liabilities	(125.2)	-	-	-	(125.2)
Transfer	1.3	-	-	-	1.3
Disposals	(2.1)	-	-	-	(2.1)
Depreciation	(793.9)	(3.3)	(1.7)	(5.7)	(804.6)
Impairment loss	(32.9)	-	-	-	(32.9)
Reclassified to assets held for sale	(222.4)	(0.8)	-	-	(223.2)
Carrying amount 31.12.	**2,383.0**	**4.3**	**2.5**	**5.1**	**2,394.9**

Net loss from disposal of right-of-use assets amounts to DKK 0.8m.

Lease liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2019					
Lease liabilities	725.1	1,813.6	184.8	2,723.5	2,513.2
2018					
Lease liabilities	5.4	6.5	-	11.9	10.9

	2019	2018
Non-current liabilities	1,862.2	5.9
Current liabilities	651.0	5.0
Total	**2,513.2**	**10.9**

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'.

3.2 Right-of-use assets and lease liabilities (continued)

Amounts recognised in profit or loss

DKKm	2019
Depreciation charge of right-of-use assets	804.6
Interest expense on lease liabilities (included in finance cost)	101.6
Expense relating to short-term leases (included in other external expenses)	0.8
Expense relating to leases of low value assets (included in other external expenses)	0.7

Certain contracts are either in full or partly subject to variable rent payments based on revenue, which are not included in the measurement of the lease liability. For 2019 this amounted to DKK 28.9m, which is included in other external expenses.

The total cash outflow for leases in 2019 was DKK 856.0m.
At 31 December 2019 the Group is committed to DKK 1.5m for short term leases.

3.3 Property, plant and equipment

Accounting policies
Property, plant and equipment is measured at cost less accumulated depreciations and impairment losses. Cost comprises the acquisition price, cost directly attributable to the acquisition, and the preparation costs of the asset until the time when it is ready for the intended use. The present value of estimated liabilities related to restoration of stores in connection with a termination of a lease is added to the cost if the liabilities are provided for.

The basis of depreciation is cost less estimated residual value after the shorter of estimated useful life or the terms of respective leases, if applicable.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is recorded using the straight-line method on the basis of the following estimated useful lives of the assets:

- Leasehold improvement; Lease term or a maximum of 10 years
- Store furniture; a maximum of 5 years
- Other fixtures and equipment; 3-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Significant accounting estimates and judgments
If there is any indication that an asset may be impaired, the value in use of the asset is estimated and compared with the current value. The value in use calculation is based on the discounted cash flow method using estimates of future cash flows from the continuing use of the asset. The key parameters are expected utilisation of the asset, expected growth in cash flow in the terminal period etc. All these parameters are based on estimates of the future and may give rise to changes in future accounting periods.

Estimates are required in assessing the useful lives of tangible assets. These assumptions are based on the Executive Management's best estimate of the useful life of the asset and its residual value at the end of the useful life.

The impairment test of property, plant and equipment resulted in a recognition of an impairment loss of DKK 9m relating to stores in Denmark, Spain, the UK, Norway, Poland, Sweden and France and an impairment loss of DKK 3.4m relating to discontinued operations, (2018: DKK 16.4m).

3.3 Property, plant and equipment (continued)

DKKm	Leasehold improvements	Store furniture	Other equipment	Assets under construction	Total
2019					
Cost 01.01.	717.4	442.8	214.6	2.4	1,377.2
Reclassified to right-of-use assets	(1.0)	(33.5)	(0.6)	-	(35.1)
Exchange rate adjustment	7.5	2.4	0.2	-	10.1
Additions	39.0	12.0	13.1	1.3	65.4
Transfer	(4.2)	39.9	(35.1)	(2.6)	(2.0)
Disposals	(22.2)	(8.9)	(8.4)	-	(39.5)
Reclassified to assets held for sale	(83.1)	(26.9)	(12.6)	-	(122.6)
Cost 31.12.	**653.4**	**427.8**	**171.2**	**1.1**	**1,253.5**
Depreciation 01.01.	(310.3)	(277.0)	(134.3)	-	(721.6)
Reclassified to right-of-use assets	0.5	22.7	-	-	23.2
Exchange rate adjustment	(2.9)	(1.3)	(0.1)	-	(4.3)
Depreciation	(98.8)	(62.8)	(28.4)	-	(190.0)
Impairment losses	(11.3)	(0.7)	(0.4)	-	(12.4)
Transfer	3.5	(29.6)	26.8	-	0.7
Disposals	13.9	6.4	4.3	-	24.6
Reclassified to assets held for sale	46.6	22.1	9.0	-	77.7
Depreciation 31.12.	**(358.8)**	**(320.2)**	**(123.1)**	**-**	**(802.1)**
Carrying amount 31.12.	**294.6**	**107.6**	**48.1**	**1.1**	**451.4**
2018					
Cost 01.01.	588.9	413.6	153.4	-	1,155.9
Exchange rate adjustment	(0.1)	(2.0)	(0.2)	(0.1)	(2.4)
Additions	134.5	67.5	38.5	1.9	242.4
Transfer	4.8	(28.0)	25.1	0.6	2.5
Disposals	(10.7)	(8.3)	(2.2)	-	(21.2)
Cost 31.12.	**717.4**	**442.8**	**214.6**	**2.4**	**1,377.2**
Depreciation 01.01.	(215.1)	(221.6)	(88.4)	-	(525.1)
Exchange rate adjustment	0.7	1.2	0.6	-	2.5
Depreciation	(91.2)	(71.3)	(34.9)	-	(197.4)
Impairment losses	(11.0)	(2.4)	(3.0)	-	(16.4)
Transfer	(1.3)	10.1	(10.2)	-	(1.4)
Disposals	7.6	7.0	1.6	-	16.2
Depreciation 31.12.	**(310.3)**	**(277.0)**	**(134.3)**	**-**	**(721.6)**
Carrying amount 31.12.	**407.1**	**165.8**	**80.3**	**2.4**	**655.6**

Net loss from selling or scrapping property, plant and equipment amounts to DKK 7.9m (2018: DKK 4.2m).

3.4 Investment in joint ventures

Accounting policies
An investment is considered a joint venture when Zebra and a third party have joint control of the arrangement and have right to the net assets of the arrangement. Joint control exists when all significant decisions require the unanimous consent of Zebra and the other party.

Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment in joint ventures is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss of the investee after the date of acquisition. The Group´s investments in joint ventures include goodwill identified on acquisition.

When a group entity transacts with a joint venture of the Group, profits or losses resulting from the transactions with the joint ventures are recognised in the Group´s consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale.

Significant accounting estimates and judgments
The carrying amount of the investment (including goodwill) is tested annually for impairment. Any impairment loss recognised forms part of the carrying amount of the investment.

The estimated future free net cash flows are based on budget for 2020 and business plans and projections for 2021- 2024.

Key parameters are revenue development, profit margins, capital expenditure and growth expectations for the following years.
Key factors that could trigger an impairment test include a macro economy downscaling and changes to the competitive environment.

A discount rate of 7.7% is used to calculate recoverable amounts, representing the weighted average cost of capital pre-tax. The discount rate reflects current market assessments of the time value of money and the risks specific to the assets.

Zebra Japan K.K.
The investment in joint ventures has in 2019 and 2018 consisted of the investment in Zebra Japan K.K., which markets and sells products from Flying Tiger Copenhagen on the Japanese market. Zebra's ownership interest has been 50% in the whole period.

Zebra appoints two out of four members of the Board of Directors. The Board of Directors makes decisions on all material matters, and all decisions require three-quarter majority. The joint venture contract includes a future right for Zebra to acquire all shares in Zebra Japan K.K. as well as put and call options depending on certain financial targets. None of these rights are exercisable at the balance sheet date.

The impairment test of the investment in Zebra Japan K.K. did not show any need for impairment losses to be recognised. In the Executive Management's opinion, no probable change in key assumptions mentioned above will cause significant impairment losses.

3.4 Investment in joint ventures (continued)

DKKm	**2019**	**2018**
Cost 01.01.	53.1	53.1
Cost 31.12.	**53.1**	**53.1**
Adjustment 01.01.	(35.5)	(27.0)
Exchange rate adjustment	(1.2)	(2.1)
Share of loss for the year after tax	(4.8)	(6.4)
Adjustment 31.12.	**(41.5)**	**(35.5)**
Carrying amount 31.12.	**11.6**	**17.6**

Summarised financial information in respect of the Group´s joint venture Zebra Japan K.K. is set out below. The summarised financial information below represents amounts shown in the joint venture´s financial statements prepared in accordance with the IFRS, adjusted by the Group for equity accounting purposes.

DKKm	**2019**	**2018**
Revenue	282.2	257.2
EBITDA	64.0	3.8
Amortisation and depreciation	(69.6)	(16.2)
Loss for the year	(9.6)	(12.7)
Total comprehensive income	(9.6)	(12.7)
Non-current assets	175.3	71.3
Current assets	79.7	93.1
Non-current liabilities	86.1	16.9
Current liabilities	183.2	152.0
Equity	(14.3)	(4.5)
Net working capital	29.5	20.7
Number of stores	29	26

3.5 Inventories

Accounting policies
Inventories consist of finished goods purchased for resale and include costs incurred in bringing the goods to their existing location and condition, e.g. delivery costs as well as freight and handling costs. Inventories are measured at the lower of cost using the FIFO method and net realisable value.

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

Significant accounting estimates and judgments
The value used in the lower of cost and net realisable value is subject to the effects of customer demands and preferences as well as the broader economy. These effects are not controllable by the Executive Management.

The Executive Management continuously reviews inventory levels to identify obsolete and slow-moving inventory items, as these factors can indicate a decline in inventory value. Estimates are required in respect of assessing future customer demands and preferences as well as the broader economy.

At 31 December 2019, the inventory write-downs amounts to DKK 165.3m (2018: DKK 227.5m).

DKKm	**2019**	**2018**
Finished goods	1,053.7	1,482.3
Write-downs	(152.9)	(227.5)
Total inventory continued business	**900.8**	**1,254.8**
Finished goods	44.6	-
Write-downs	(12.4)	-
Total inventory reclassified to assets held for sale	**32.2**	**-**
Write-downs 01.01.	(227.5)	(60.8)
Write-downs, during the year	(70.7)	(204.8)
Write-downs, utilised during the year	71.7	22.0
Write-downs, reversed during the year	61.2	16.1
Writedowns 31.12.	**(165.3)**	**(227.5)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 39.9m (2018: DKK 80.8m).

3.6 Other provisions

Accounting policies
Provisions are recognised where a legal or constructive obligation has incurred as a result of past events, it is probable that it will lead to an outflow of financial resources, and the amount can be estimated reliably.

Provisions are measured on the basis of the Executive Management's best estimate of the expected expenditure required to settle the obligation. Provisions are discounted if the effect is material to the measurement of the liability.

Provisions are made for obligations to restore leased premises to their original condition at the end of the respective lease terms. The corresponding costs are capitalised as part of the cost of leasehold improvements and are depreciated over the shorter of the term of the lease or the useful life of the assets.

DKKm	2019	2018
Provisions 01.01.	58.6	36.0
Exchange rate adjustment, opening balance	0.3	-
Provisions for onerous contracts reclassified to right-of-use assets	(28.7)	-
Provisions, during the year	17.9	25.0
Provisions, utilised	(2.2)	(0.2)
Provisions, reversed during the year	(2.9)	(2.2)
Reclassified to assets held for sale	(0.7)	-
Provisions 31.12.	**42.3**	**58.6**
Non-current provisions	33.5	25.0
Current provisions	8.8	33.6
Total	**42.3**	**58.6**

Other provisions relate mainly to restoration obligations in connection with vacating leased premises. Other provisions also include an estimated contribution to damage and salvage costs from a fire on the container carrier, Maersk Honam in March 2018.

The expected costs and timing are by nature uncertain. No provisions are discounted as the impact is considered insignificant.

3.7 Other payables

Accounting policies
Other payables which include debt to public authorities, employee costs payable and accruals etc. are measured at amortised cost.

DKKm	2019	2018
VAT and other indirect taxes	132.5	148.3
Employee costs	185.3	204.4
Other	58.2	111.9
Reclassified to assets held for sale	(17.0)	-
Total	**359.0**	**464.6**

3.8 Working capital changes

DKKm	2019	2018
Change in inventories	387.4	(410.5)
Change in other receivables	17.0	(13.8)
Change in prepayments	2.3	(9.9)
Change in lease incentives	-	0.7
Change in trade payables	(343.9)	341.0
Change in other payables	(99.8)	30.6
Total	**(37.0)**	**(61.9)**

Section 4 Capital structure and financing

This section

Note 4.1 Share capital

Note 4.2 Pro forma adjusted equity

Note 4.3 Financial assets and liabilities

Note 4.4 Financial risk management

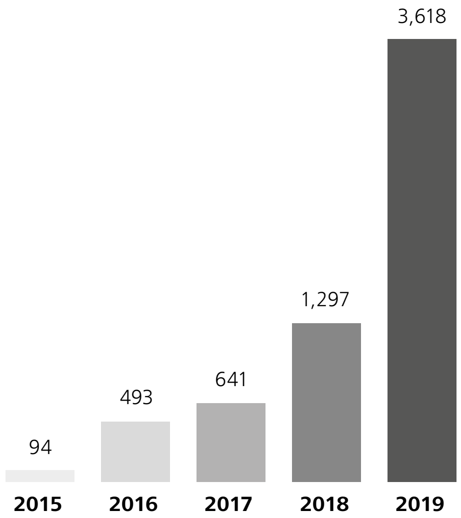
Note 4.5 Provisions for the acquisition of non-controlling interests

Note 4.6 Net financials

Note 4.7 Liabilities arising from financing activities

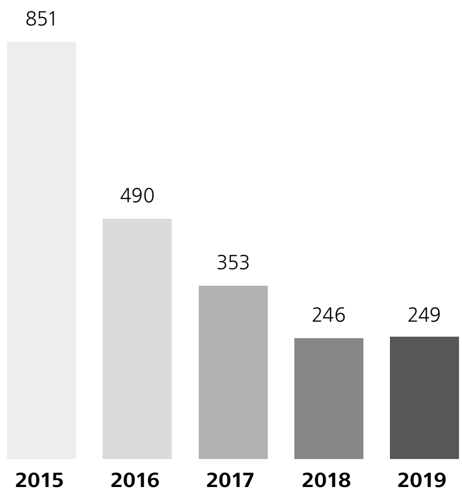
This section provides insights into the Group's capital structure, including financial risk management, provisions for acquisition of non-controlling interests and net financials. IFRS 16 has an impact of DKK 2,507m on net interest-bearing debt in 2019.

Net interest-bearing debt (DKKm)



The provisions for the acquisition of non-controlling interests have decreased since 2015 due to takeovers of partnerships.

Provisions for the acquisition of non-controlling interests (DKKm)



4.1 Share capital

The share capital consists of shares at DKK 0.1 or multiples thereof.

The shares have been divided into classes:

Class A1	4,549,465,935
Class A	3,422,498
Class B	927,115
Class C	927,115
Class D	31,534
Class E	26,235

Special economical rights and special voting rights apply to the different share classes.

During 2019 the shareholders injected capital of DKK 475m including share premium.

Changes in share capital in the past five financial years:

	DKK '000
Share capital at 1 January 2015	515
Capital increase 2015	2
Capital increase 2016	0
Capital increase 2017	5
Capital increase 2018	0
Capital increase 2019	454,958
Share capital at 31 December 2019	**455,480**

4.2 Pro forma adjusted equity

The reported IFRS equity includes the accounting impacts from certain fully consolidated entities where local partners have an ownership interest of 50%, cf. note 1.2.

For these entities, the Group has entered into put and call options with the non-controlling interests. The put option gives the non-controlling shareholder the right to sell its non-controlling interests to the Group at a defined exercise price, cf. note 4.5. In accordance with IFRS, the put options over shareholdings held by non-controlling interests are included as a provision in the financial statements until exercised or lapsed. Consequently, no non-controlling interests (minority interests) for these fully consolidated entities are recognised at the reporting date but only a provision (or a deferred consideration if a call or put option is exercised and consideration not yet paid).

The call options over the non-controlling shareholdings are measured at fair value with adjustments over profit or loss from 1 January 2018 according to IFRS 9.

A number of call and put options have been exercised, giving rise to recognition of deferred considerations or cash outflow for the acquisition of non-controlling interests. Under the accounting policies of the Group changes in the value of these liabilities, including differences upon settlement, are accounted for as a transaction directly in equity.

The equity analysis below illustrates on a pro forma basis the development of the equity adjusted for the impact from realised or potential acquisition of non-controlling interests on an accumulated basis.

DKKm	**2019**	**2018**	**2017**	**2016**	**2015**
Pro forma equity adjusted for impact from realised or potential acquisition of non-controlling interests					
Pro forma adjusted equity 01.01.	503.9	819.2	882.3	789.5	622.1
Total comprehensive income for the year before fair value adjustments of call options, net of tax	(348.9)	(280.6)	(47.9)	100.9	183.1
Share capital increase	480.4	2.7	23.9	2.0	16.9
Dividend paid to non-controlling interests	(71.7)	(43.5)	(39.1)	(47.0)	(33.0)
Other movements	-	6.1	-	36.9	0.4
Pro forma adjusted equity 31.12.	**563.7**	**503.9**	**819.2**	**882.3**	**789.5**
Impact on reported equity from realised or potential acquisition of non-controlling interests					
Fair value of call options, non-current assets	555.1	450.2	-	-	-
Provision for the acquisition of non-controlling interests, non-current	(204.3)	(245.6)	(343.4)	(377.9)	(647.6)
Provision for the acquisition of non-controlling interests, current	(44.6)	-	(9.1)	(112.4)	(203.1)
Deferred considerations, non-current	-	(7.3)	(120.3)	(150.9)	(31.9)
Deferred considerations, current	(3.8)	(92.6)	(267.5)	(5.9)	-
Cash flow used for acquisition of non-controlling interests (accumulated)	(686.0)	(587.3)	(299.7)	(258.8)	(37.2)
Accumulated fair value adjustment 31.12.	**(383.6)**	**(482.6)**	**(1,040.0)**	**(905.9)**	**(919.8)**
Reported IFRS equity 31.12.	**180.1**	**21.3**	**(220.8)**	**(23.6)**	**(130.3)**

4.3 Financial assets and liabilities

Accounting policies

Loans and receivables
Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. For loans and receivables that are subject to IFRS 9, the expected credit loss model is applied to calculate impairment losses over the life of the receivables.

Cash and cash equivalents
Cash and cash equivalents comprises short term cash in hand, bank deposits and credit card receivables less any drawings on credit facilities that are an integral part of the cash management.

Lease liabilities
Lease liabilities are measured at amortised cost. Lease payments are allocated between the lease liability and finance expenses so that a constant rate of interest is recognised on the outstanding finance balance. Please see note 3.2 for further information.

Bank debt and other financial liabilities
Bank debt and other financial liabilities are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method. The difference between proceeds and the nominal value is recognised as a financial expense over the term of the loan. Other debt is recognised at amortised costs.

If the loan terms of borrowings are modified, it is considered to result in an extinguishment of the initial borrowings. The cash flows of the modified borrowings are discounted at the original interest rate, and an immediate loss is recognised in profit or loss at the date of the modification.

Derivative financial instruments
Derivative financial instruments consist of interest rate and currency instruments such as forward contracts, interest and currency swaps, options and similar products as well as call options over the non-controlling shareholdings. Please see note 4.4 for further information.

Financial assets and liabilities are accounted for at settlement date.

Significant accounting estimates and judgments
The maturity analysis is based on all undiscounted cash flows, including estimated interest payments, which are estimated based on the current market conditions.

The undiscounted cash flows from derivative financial instruments are presented in gross amounts. The contractual cash flows for the acquisition of non-controlling interests are based on estimated redemption amounts, as set out in note 4.5.

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2019					
Financial liabilities					
Bank debt	340.3	1,239.5	-	1,579.8	1,466.1
Provisions for the acquisition of non-controlling interests	49.3	236.1	-	285.4	248.9
Loans provided by shareholders of non-controlling interests	18.5	-	-	18.5	18.5
Lease liabilities	725.1	1,813.6	184.8	2,723.5	2,513.2
Deferred considerations	3.8	-	-	3.8	3.8
Derivative financial instruments	5.8	-	-	5.8	5.8
Other non-current liabilities	-	11.1	35.2	46.3	46.3
Trade payables	533.5	-	-	533.5	533.5
Income tax payables	14.6	-	-	14.6	14.6
Other payables	359.0	-	-	359.0	359.0
Total	**2,049.9**	**3,300.3**	**220.0**	**5,570.2**	**5,209.7**

4.3 Financial assets and liabilities (continued)

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2018					
Financial liabilities					
Bank debt	570.8	1,208.5	-	1,779.3	1,665.6
Provisions for the acquisition of non-controlling interests	-	286.2	-	286.2	245.6
Loans provided by shareholders of non-controlling interests	27.5	14.4	2.8	44.7	44.7
Lease liabilities	5.4	6.5	-	11.9	10.9
Deferred considerations	92.6	7.3	-	99.9	99.9
Derivative financial instruments	0.8	-	-	0.8	0.8
Other non-current liabilities	-	30.7	-	30.7	30.7
Trade payables	913.2	-	-	913.2	913.2
Income tax payables	17.5	-	-	17.5	17.5
Other payables	464.6	-	-	464.6	464.6
Total	**2,092.4**	**1,553.6**	**2.8**	**3,648.8**	**3,493.5**

Fair value of financial assets and liabilities is approximately equal to the carrying amount in both 2019 and 2018.

Financial risk management

The nature of the Group's operations, investment and financing exposes the Group to financial risks in the form of changes in foreign exchange rates and interest levels as well as credit risks and liquidity risks. The financial risks are monitored and managed by Zebra's Group Treasury. Please see note 4.4 for further information.

The Group's general policy with respect to financial risks is that they should be proactively addressed in order to mitigate the risk of material impacts to the financial situation of the Group, which could negatively influence the operations. It is the Group's policy not to engage in active speculation in financial risks.

4.4 Financial risk management

Accounting policies
The Group is exposed to financial risks due to the nature of operating, investing and financing activities. The primary financial risks are currency risk, interest rate risk, liquidity risk and credit risk. Financial risks are monitored and managed by Group Treasury based on the treasury policy. The treasury policy is reviewed and approved annually by the Board of Directors.

It is Group policy not to take speculative positions. Currency and interest rate risks are managed by the use of interest rate and currency instruments such as forward contracts, interest rate and currency swaps, options and similar products.

Call options over the remaining ownership interests in certain subsidiaries
The Parent is granted call options over the non-controlling interests. These options are measured at fair value through profit or loss.

Hedging instruments
The Group designates certain derivatives as cash flow hedges of highly probable future forecast transactions related to procurement. At inception of the hedge relationship, the Group documents the economic relationship between hedge instruments and the hedged items, including whether changes in the cash flow of the hedging instruments are expected to offset changes in the cash flows of hedged items.

On initial recognition, financial instruments are measured at fair value at the transaction date. After initial recognition, financial instruments are measured at fair value at the balance sheet date. The fair value of financial instruments is measured at fair value in accordance with level 2 (on observable data) according to the fair value hierarchy. The derivatives are not traded on an active market based on quoted prices, but are individual contracts. The fair value of these contracts is determined using valuation techniques that utilise market-based data such as exchange rates, interest rates, credit risk and volatilities. The positive or negative fair value of derivatives is recognised in the balance sheet.

The Group designates both the change in the spot component as well as the forward element of the contract as the hedging instrument. The effective portion of changes in fair value of financial instruments classified as and satisfying the conditions for effective hedging of future transactions is recognised in other comprehensive income.

Amounts accumulated in equity are reclassified to profit or loss in the same period as the effect from the hedged items. Initially hedging gains and losses are included in the cost of inventory and subsequently affect profit or loss through cost of sales.

Hedging instruments that do not satisfy the conditions for treatment as hedging instruments are measured at their fair value, with fair value adjustments being recognised, on an ongoing basis, in the income statement under financial income or financial expenses.

Significant accounting estimates and judgments
The fair value of the call options is equal to the estimated market value of the underlying asset at the balance sheet date less the estimated exercise price of the call option, assuming notice of exercise is given at the balance sheet date.

The estimated exercise price of the call option is based on the same assumptions and calculation methods as used for estimating the value of the provision for acquisition of non-controlling interests, cf. note 4.5.

The fair value of the call options is based on input measured in accordance with level 3 (non-observable data) and level 2 (observable data) in the fair value hierarchy using projected results derived from approved budgets and agreed EBITDA multiple, external market data and expected vesting periods.

The fair value of the call options at effective transfer date might materially vary from the fair value of the call options if:

- The timing of the utilisation of the call options differs from the assumptions applied,
- The put option is utilised rather than the call option
- The actual results of the respective subsidiary companies vary from the Executive Management´s projections, or
- The EBITDA multiples of the peer group differs at effective transfer date.

The value of the call option is sensitive to the development in EBITDA multiples of the relevant peer group. If the average EBITDA multiple increases/decreases by 1.0x, then the value will change by DKK +74.4m / DKK -74.4m.

4.4 Financial risk management (continued)

Call options over the remaining ownership interests in certain subsidiaries

The fair value adjustment includes the effect from change in the estimated present value of the expected cash outflows to purchase the remaining ownerships as well as the change in the market multiples.

The fair value of the call options over the remaining ownership interests in certain subsidiaries has been included in the line item Derivative financial instruments under non-current assets.

In 2019 four partnerships have exercised their put options and accordingly Zebra A/S has reversed the value of the call options for these partnerships.

DKKm	2019	2018
Balance 01.01.	450.2	702.8
Expired call options not exercised	(29.6)	-
Utilisation of call options	-	(29.4)
Fair value adjustment	134.5	(223.2)
Balance 31.12.	**555.1**	**450.2**

Foreign currency risk

Cash flow hedges

It is the Group's policy to hedge approximately 90%, 80%, 70% and 60% of the currency risk associated with procurement for the following 1-3 months, 4-6 months, 7-9 months and 10-12 months respectively. It is further the policy to hedge confirmed future payments related to procurement in full.

Hence, all open foreign exchange contracts at 31 December 2019 have a maturity of less than 1 year.

Forward exchange contracts – USD	1-3 months	4-6 months	7-9 months	10-12 months
2019				
Contract value (DKKm)	371.1	208.1	241.4	124.7
Weighted average hedged rate (USD/DKK)	6.40	6.61	6.61	6.56
2018				
Contract value (DKKm)	536.1	278.8	254.6	136.4
Weighted average hedged rate (USD/DKK)	6.20	6.21	6.21	6.34

The forward exchange contracts are denominated in the same currency as the highly probable future inventory purchases (USD), which is why the hedge ratio is 1:1.

4.4 Financial risk management (continued)

DKKm	2019	2018
Forward exchange contracts - USD		
Carrying amount included in line item 'Derivative financial instruments' under current assets	14.9	42.5
Carrying amount included in line item 'Derivative financial instruments' under current liabilities	(5.8)	(0.8)
Net carrying amount	**9.1**	**41.7**
Fair value adjustment recognised in other comprehensive income	(26.9)	51.9

DKKm	2019	2018
Cash flow hedge reserve 01.01.	20.7	(19.8)
Change in fair value of cash flow hedges recognised in other comprehensive income	43.1	66.7
Reclassified to the cost of inventory	(13.7)	(6.1)
Reclassified to profit or loss	(56.3)	(8.7)
Tax on cash flow hedges	5.9	(11.4)
Cash flow hedge reserve 31.12.	**(0.3)**	**20.7**

Hedge ineffectiveness

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated.

There was no ineffectiveness during 2019 nor 2018 in relation to the cash flow hedges.

4.4 Financial risk management (continued)

Currency exposure
The Group's most material exchange rate risk is the exposure to the purchase of goods invoiced in USD. The Group's exposure to currency fluctuations in foreign subsidiaries is to some extent mitigated by the fact that both revenue and local costs of the individual subsidiaries are denominated in the same currencies. Exposure to currency fluctuations in subsidiaries primarily relates to the foreign subsidiaries' purchase of goods from Zebra A/S in DKK. The income statement is affected by changes in exchange rates, as the profit of foreign subsidiaries is translated into Danish kroner using average exchange rates.

An average exchange rate for the month is used at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date.

Please find below a table of the impact on profit for the year and equity from change in the Group's primary currencies adjusted for hedge accounting:

Exchange rate analysis

DKKm	Change in exchange rate	2019 Profit before tax	2019 Equity	2018 Profit before tax	2018 Equity
USD	(10)%	(0.7)	(50.2)	9.9	(76.2)
USD	10%	0.7	50.2	(9.9)	76.2
GBP	(10)%	3.9	(6.7)	1.6	(5.6)
GBP	10%	(3.9)	6.7	(1.6)	5.6
EUR	(1)%	(2.5)	(5.6)	(1.2)	(2.8)
EUR	1%	2.5	5.6	1.2	2.8
SEK	(10)%	3.5	1.8	(0.6)	(0.6)
SEK	10%	(3.5)	(1.8)	0.6	0.6
PLN	(10)%	(1.7)	(1.7)	(1.3)	(1.3)
PLN	10%	1.7	1.7	1.3	1.3

The analysis is based on monetary assets and liabilities as of the end of 2019 and 2018. The movements arise from monetary items (cash, borrowings, receivables, payables and hedging instruments) where the functional currency of the entity is different to the currency that the monetary items are denominated in.

Interest rate risk
The Group is exposed to interest rate risk because entities in the Group borrow funds at variable interest rates. The risk is monitored by Group Treasury in order to maintain an appropriate mix between fixed and floating rate borrowings.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

The Group's interest-bearing financial assets are limited to cash holdings.

Interest-bearing financial liabilities relate to bank loans and borrowings, loans provided by shareholders of non-controlling interests and lease liabilities, as set out in note 4.3.

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming that the amount of the outstanding liability at the end of the reporting period was outstanding for the whole year.

A change in interest levels will impact the Group's cash holdings, bank debt and borrowings that are subject to variable interest rates. An increase in interest levels of 1 percentage point annually compared to the interest rates at 31 December 2019 would have a negative impact of DKK 11.1m on the Group's profit for the year and equity (2018: negative impact of DKK 13.0m). A corresponding decrease in interest levels would have a negative impact of DKK 3.6m on the Group's profit for the year and equity (2018: negative DKK 3.8m).

4.4 Financial risk management (continued)

Liquidity risk
Liquidity risk results from the Group's inability to cover its financial liabilities with cash. Please refer to note 4.3. Group Treasury is responsible for monitoring and mitigating liquidity risk. This is done by ensuring adequate liquidity resources are available to the Group. The Group’s liquid reserves consist of cash, undrawn committed and uncommitted credit facilities.

According to the Group’s policy, cash can only be placed in bank deposits with banks with the highest credit rating. 100% owned subsidiaries can place surplus cash with Zebra A/S either through a cash pool setup or directly with Zebra A/S outside a cash pool.

The availability of cash and cash equivalents held in subsidiaries that are less than 100% owned by the Group is restricted to the extent that non-controlling interests in the respective subsidiaries hold dividend rights over available liquidity.

Originally Zebra A/S had an external credit facility in place totalling DKK 2,050m. In March 2019 the terms of the facilities were amended in connection with additional equity injection from the owners. Consequently, the amortisation is designed such that DKK 225m matured in 2019, DKK 225m in 2020 and DKK 1,600m matures in 2021.

As a consequence of the COVID-19 outbreak, the Group renegotiated the credit facility in connection with an equity contribution of DKK 150m. The credit facility was increased by DKK 500m, which will be amortised over four years, while maturity on the existing facility of DKK 1,825m was extended to 2024.

The credit facility is subject to a number of undertakings, financial covenants and other restrictions. Financial covenants consist of nominal EBITDA level, a leverage cover, an interest cover and certain capex limitations. Financial covenants are calculated on a last-twelve month basis. In the event of default under the credit facility agreement debt including accrued interest could be declared immediately due and payable.

Credit risk
The Group’s sales to customers are mainly cash sales, which limits the credit risk in the Group.

Optimising the capital structure
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net interest-bearing debt and equity of the Group, comprising issued capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirement.

Fair value measurements using significant unobservable inputs (level 3)
The below table shows the changes in level 3 items for the periods ended 31 December 2019 and 31 December 2018:

DKKm	Provision for the acquisition of non-controlling interests (liability)	Call options over the remaining ownership interests in certain subsidiaries (asset)
2019		
Opening balance 01.01.	245.6	450.2
Expired options	-	(29.6)
Fair value adjustment recognised in equity	2.5	-
Fair value adjustment recognised in profit or loss	-	134.5
Exchange rate adjustment	0.8	-
Closing balance 31.12.	**248.9**	**555.1**
2018		
Opening balance 01.01.	352.5	702.8
Utilisation	(15.0)	(29.4)
Fair value adjustment recognised in equity	(92.8)	-
Fair value adjustment recognised in profit or loss	-	(223.2)
Exchange rate adjustment	0.9	-
Closing balance 31.12.	**245.6**	**450.2**

4.5 Provisions for the acquisition of non-controlling interests

Accounting policies

The Group has entered into put and call options with non-controlling interests of certain Group entities. The put option gives the non-controlling shareholder the right to sell its non-controlling interest to the Group at a defined exercise price that reflects an EBITDA multiple. At the same time, Zebra A/S has call options over the non-controlling shareholdings with exercise prices reflecting EBITDA multiples that differ from those relevant for the aforementioned put options.

Provisions for the acquisition of non-controlling interests are measured at fair value in accordance with the anticipated acquisition method, i.e. as if the put options have been exercised at year-end in the current financial year. The fair value is determined by means of the estimated present value of the expected cash outflows to settle the put options or the call options where Zebra A/S has exercised its call options. The fair value is measured in accordance with level 3 (non-observable data) in the fair value hierarchy and is based on projected results derived from the approved budget, agreed EBITDA multiples and assuming that the put options are exercised by the non-controlling interests at year-end in the current financial year.

In line with the nature of the put options, the liabilities are classified as non-current liabilities, except for payments due within one year of exercised options, which are classified as current liabilities. Changes in the value of these liabilities, as well as differences upon settlement between the actual cash outflow and the expected cash outflows, are accounted for as a transaction directly in equity.

Subsidiaries whose non-controlling shareholdings are subject to put options are fully consolidated. The non-controlling ownership interest, which is subject to the put option, is reclassified as a liability at the end of the reporting period, as if the acquisition took place at that date.

Significant accounting estimates and judgments

The exercise prices are determined by contractually defined EBITDA multiples for both the put and call options calculated on realised financial figures for two financial years adjusted for the net interest-bearing debt and normalised net working capital adjustments as of the effective date.

The calculation of the provisions for the put options is based on the general assumption that all the local partners exercise their put options at year-end in the current financial year with the contractually determined notice period of 12 months.

In accordance with IFRS, the put option over shareholdings held by non-controlling interest is included as a provision in the financial statements as the estimated present value of the expected cash outflows to settle the liability based on projected results and based on the mentioned general assumption on collective exercise at 31 December 2019.

The actual cash outflows might materially vary from the valuation of the provisions for the acquisition of non-controlling interests if:

- The timing of the actual acquisition of the non-controlling interest differs from the assumptions applied,
- The additional ownership interest is acquired by exercise of the aforementioned call option rather than the non-controlling shareholders´ respective put option, or
- The actual results of the respective subsidiary companies vary from the Executive Management´s projections.

The discount rate of 10.1% (2018: 11.4%) applied in discounting the expected cash outflows is based on an interest rate that reflects the current market assessment of the time value of money, taking into account the expected settlement of these liabilities, and the risk specific to the non-controlling interest.

DKKm	2019	2018
Balance 01.01.	245.6	352.5
Exchange rate adjustment	0.8	0.9
Utilisation of provision to acquire non-controlling interests resulting in a deferred consideration	-	(6.8)
Utilisation of provision to acquire non-controlling interests paid upfront	-	(8.2)
Fair value adjustment	2.5	(92.8)
Balance 31.12.	**248.9**	**245.6**
Non-current provisions for the acquisitions of non-controlling interests	204.3	245.6
Current provisions for the acquisitions of non-controlling interests	44.6	-
Total	**248.9**	**245.6**

4.5 Provisions for the acquisition of non-controlling interests (continued)

In 2019 Zebra acquired full ownership of two partnerships covering Norway (TGR Norge AS) and part of France (Tiger Stores France 4 SAS).

The paid settlements in 2019 relates to the acquired ownerships in 2017 and 2018.

In 2018 Zebra acquired full ownership of two partnerships covering part of Spain (Tiger Stores Spain 6, S.L.) and Wales (Tiger Cardiff Ltd.).

DKKm	**2019**	**2018**
Deferred considerations 01.01.	99.9	387.8
Additions	-	6.8
Settlements paid during the period	(98.7)	(279.4)
Fair value adjustment	2.6	(15.3)
Deferred considerations 31.12.	**3.8**	**99.9**
Non-current deferred considerations	-	7.3
Current deferred considerations	3.8	92.6
Total	**3.8**	**99.9**

4.6 Net financials

Accounting policies

Financial income comprises interest receivable, realised and unrealised capital gains on payables and transactions in foreign currencies as well as tax relief under the Danish Tax Payment Scheme. Also included are realised and unrealised gains on derivative financial instruments that are not designated as hedges.

Financial expenses comprise interest payable, realised and unrealised capital losses on payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Payment Scheme. Also included are realised and unrealised losses on derivative financial instruments that are not designated as hedges.

DKKm	2019	2018
Financial income		
Interest on financial assets measured at amortised cost	0.1	0.2
Gains on derivative financial instruments not designated as hedges	4.4	0.8
Exchange rate adjustments, net	0.9	-
Other financial income	4.8	0.4
Total	**10.2**	**1.4**
Financial expenses		
Bank charges**	17.0	15.8
Interest on lease liabilities	101.6	0.1
Interest on financial liabilities measured at amortised cost	84.1	70.6
Losses on derivative financial instruments not designated as hedges	0.4	0.7
Exchange rate adjustments, net	-	8.7
Other financial expenses	1.0	2.3
Total	**204.1**	**98.2**
Net financials	**(193.9)**	**(96.8)**

*Comparable figures for 2018 have been restated to reflect the reclassification of discontinued operations

**Bank charges mainly include letter of credit fees as well as bank commitment fees.

4.7 Liabilities arising from financing activities

Accounting policies
Cash flows from financing activities comprise dividend paid, proceeds and repayments of loans and borrowings, changes in non-controlling interest ownership and share capital increase.

Liabilities arising from financing activities comprise loans provided by shareholders of non-controlling interests, bank debt, lease liabilities and deferred considerations and provisions related to acquisitions of non-controlling interests.

The below table shows the changes of liabilities arising from financing activities specified on cash flows and non-cash changes:

DKKm	Liabilities 01.01.	IFRS 16 effect 01.01	Cash movements	Fair value movements	Other non-cash movements	Exchange rate adjustment	Reclassified to Liabilities directly associated with the assets held for sale	Liabilities 31.12.
2019								
Financial liabilities								
Loans provided by shareholders of non-controlling interests	44.7	-	(2.6)	-	(16.9)	0.2	(6.9)	18.5
Bank debt	1,665.6	-	(211.6)	-	7.8	4.3	-	1,466.1
Lease liabilities	10.9	3,349.1	(724.0)	-	131.7	27.6	(282.1)	2,513.2
Deferred considerations	99.9	-	(98.7)	2.6	-	-	-	3.8
Provision for the acquisition of non-controlling interests	245.6	-	-	2.5	-	0.8	-	248.9
Total	**2,066.7**	**3,349.1**	**(1,036.9)**	**5.1**	**122.6**	**32.9**	**(289.0)**	**4,250.5**
2018								
Financial liabilities								
Loans provided by shareholders of non-controlling interests	45.0	-	5.8	-	(6.0)	(0.1)	-	44.7
Bank debt	1,097.0	-	541.5	-	26.4	0.7	-	1,665.6
Lease liabilities	18.6	-	(7.7)	-	-	-	-	10.9
Deferred considerations	387.8	-	(279.4)	(15.3)	6.8	-	-	99.9
Provision for the acquisition of non-controlling interests	352.5	-	(8.2)	(92.8)	(6.8)	0.9	-	245.6
Total	**1,900.9**	-	**252.0**	**(108.1)**	**20.4**	**1.5**	**-**	**2,066.7**

Section 5 Other disclosures

This section

This section includes other statutory notes not related to the previous sections including a list of group companies.

The 2019 figures and the comparable figures for 2018 are excluding discontinued operations.

48	25	23
(2018 : 49)	**(2018 : 27)**	**(2018 : 22)**
Total number of Group companies	50% owned companies	Fully owned companies

5.1 Assets held for sale and discontinued operations

Accounting policies

The Group classifies non-current assets and disposal groups as held for sale if it is highly probable that their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, assets are not amortised or depreciated. Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in the income statement and disclosed in this note.

Non-current assets and disposal groups held for sale are presented in separate lines in the statement of financial position and the main elements are specified in this note. Comparative figures are not adjusted.

A discontinued operation is a component of the Group's business which can be clearly distinguished from the rest of the Group and that either has been disposed of, or is classified as held for sale, and:

- Represent a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be held-for-sale.

In the income statement, discontinued operations are excluded from the results of continuing operations and presented separately as profit/loss for the year from discontinued operations.

When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Cash flows from discontinued operations are included in the Groups cash flow statement, but are presented separately in the table below showing net cash flows from operating, investing and financing activities.

Significant accounting estimates and judgments

The carrying amounts of assets held-for-sale are tested for impairment at the date of reclassification to asset held-for-sale. The Executive Management assesses whether the expected sales consideration can recover the net assets of the operations held-for-sale.

The operations in the United States and Germany

Following a strategic review the Group has decided to divest its German and US entities and have accordingly initiated a sales process to divest the entities. These markets have therefore been presented as discontinued operations in profit or loss and all associated assets and liabilities have been reclassified as held for sale in the balance sheet in the consolidated financial statements for 2019.

The impairment test resulted in an impairment loss of DKK 36.8 m. The impairment loss has been recognised on profit or loss under the line item Loss for the year from discontinued operations.

5.1 Assets held for sale and discontinued operations (continued)

Assets held for sale

DKKm	2019
Assets classified as held for sale	
Intangible assets	0.4
Right-of-use assets	196.4
Property, plant and equipment	39.9
Deposits	1.2
Deferred tax assets	11.6
Inventories	32.2
Income tax receivables	1.0
Other receivables	0.2
Prepayments	2.3
Cash and cash equivalents	38.0
Total assets of disposal group held for sale	**323.2**
Liabilities directly associated with assets classified as held for sale	
Other provisions	0.7
Loans provided by shareholders of non-controlling interests	6.9
Lease liabilities	282.1
Trade payables	2.3
Income tax payables	1.0
Other payables	17.0
Total liabilities of disposal group held for sale	**310.0**

5.1 Assets held for sale and discontinued operations (continued)

Discontinued operations

DKKm	2019	2018
Revenue	292.6	331.1
Cost of sales	(141.9)	(121.9)
Gross profit	**150.7**	**209.2**
Other external expenses	(55.0)	(124.1)
Staff costs	(122.2)	(117.7)
EBITDA before special items	**(26.5)**	**(32.6)**
Amortisation and depreciation	(97.1)	(13.9)
Operating loss (EBIT) before special items	**(123.6)**	**(46.5)**
Special items	(0.2)	(0.5)
Operating loss (EBIT)	**(123.8)**	**(47.0)**
Financial income	0.2	-
Financial expenses	(15.2)	(2.3)
Loss before tax	**(138.8)**	**(49.3)**
Tax loss for the year	26.8	6.2
Loss after tax	**(112.0)**	**(43.1)**
Impairment loss	(36.8)	-
Loss for the year from discontinued operations	**(148.8)**	**(43.1)**
Exchange differences on translation of discontinued operations	(0.3)	(0.3)
Other comprehensive income from discontinued operations	**(149.1)**	**(43.4)**

Cash flow

Net cash flows from operating activities	(24.4)	(42.9)
Net cash flows from investing activities	(0.2)	(24.7)
Net cash flows from financing activities	(82.1)	10.3
Net increase in cash flow generated by discontinued operations	**(106.7)**	**(57.3)**

5.2 Fees to statutory auditor

DKKm	2019	2018
EY		
Statutory audit of financial statements	5.8	5.3
Other assurance engagements	0.3	2.5
Tax advisory services	0.5	1.9
Other services	1.2	6.7
Total	**7.8**	**16.4**

5.3 Related parties

Related parties exercising control
Zebra A/S is subject to controlling influence by Zebra Lux Holding S.à.r.l., 23 rue Aldringen, L-1118, Luxembourg, which holds 99.2% of the share capital.

Zebra A/S has registered the following shareholders who hold 5% or more of the share capital:
- Zebra Lux Holding S.à.r.l., 23 rue Aldringen, L-1118 Luxembourg

During 2019 the shareholders borrowed Zebra A/S DKK 100.0m, which together with the interest payable of DKK 4.3m was converted to equity with an additional equity contribution of DKK 375.0m.

Other than these transactions there were no other transactions with these related parties during 2019 and 2018.

Balances and transactions between Zebra A/S and its subsidiaries, which are related parties of Zebra A/S, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Related parties exercising significant influence
Related parties in Zebra A/S with significant influence include the Group’s Executive Management and Board of Directors and their close relatives. Related parties also comprise companies in which these individuals have material interests.

Members of the Board of Directors and key management personnel acquired shares in Zebra A/S of DKK 2.9m in 2019 (2018: DKK 2.7m).

No member of the Board of Directors received a consultancy fee in 2019 (2018: DKK 0.4m).

Other than these transactions and remuneration as set out in note 2.2, there has been no trading with members of key management personnel or their close relatives.

Joint ventures
The related parties of Zebra A/S also included the joint venture in which the company participates, Zebra Japan K.K.

During the year, the Group received royalty and service fees in the amount of DKK 14.2m from the joint venture company (2018: DKK 12.9m) and sold goods for an amount of DKK 77.8m (2018: DKK 58.8m) to the joint venture company.

At 31 December 2019, the joint venture company owed the Group DKK 5.6m (2018: DKK 3.8m). All amounts outstanding are unsecured and will be settled in cash.

The Group has provided a guarantee to Zebra Japan K.K.'s bank which amounts to a maximum of DKK 88.6m (2018: DKK 85.7m).
At 31 December 2019 the guaranteed amount constituted DKK 61.1m (2018: DKK 65.0m).

5.4 Guarantee commitments and contingent liabilities

Litigation
A few legal proceedings and claims are pending which are not estimated to result in significant losses to the Group, other than what has been provided for in the financial statements.

Other guarantees
The Group has provided a guarantee to the joint venture Zebra Japan K.K.'s bank which amounts to a maximum of DKK 88.6m (2018: DKK 85.7m). At 31 December 2018 the guaranteed amount constituted DKK 61.1m (2018: DKK 65.0m).

In addition, the Group has guaranteed or provided guarantees for banking facilities, etc. for subsidiaries amounting to a total of DKK 104.6m (2018: DKK 105.7m).

Contractual obligation
The Group is obligated to contribute to the expected damage and salvage costs from a fire on the container carrier Maersk Honam in March 2018. Apsen Insurance UK Ltd has, on behalf of the Group, provided guarantees to relevant parties (vessel owners, average adjusters, salvage contractors, etc) amounting to a total of DKK 8.5m (2018: DKK 8.5m) in order to release the Group's cargo on the container carrier Maersk Honam that caught fire in March 2018. Consequently, the Group is under contractual obligation to indemnify Aspen Insurance UK Ltd for claims made under their guarantees related to the Maersk Honam matter. The final settlement is expected within three to five years and is not expected to result in a significant cost other than what has been provided for under other provisions.

Contractual obligations related to service contracts amounted to DKK 55.6m (2018: DKK 33.0m). Aside from liabilities recognised in the balance sheet, no significant losses are expected to incur as a result of contractual obligations.

Pledged assets
A letter of indemnity (company charge) of nominal DKK 30.0m (2018: DKK 30.0m) has been deposited by the Group as security for the Group's bank debt.

Bank debt is secured by a mortgage of nominal DKK 25.0m deposited by the Group on assets, including the Group's goodwill, leasehold rights, furniture including store furniture (2018: DKK 25.0m).

The foreign-owned entities' bank debt is secured by mortgages on their movable equipment and inventory of a total nominal amount of DKK 47.7m (2018: DKK 56.0m).

The carrying amounts of the above-mentioned pledged assets are stated below:

DKKm	2019	2018
Pledged assets		
Goodwill	11.0	12.5
Leasehold rights included in right-of-use assets	7.2	18.1
Trademarks	0.6	0.6
Leasehold improvements	71.9	124.3
Store furniture	6.2	41.4
Other equipment	34.0	22.1
Inventories	599.1	886.0
Other receivables	14.6	3.8
Total	**744.6**	**1,108.8**

5.5 Events after the balance sheet date

After the balance sheet date, the Group has been negatively impacted by the COVID-19 outbreak. January and February trading and performance were better than expectations and the Group only saw some limited impact on the supply chain. However, from March the trading was negatively impacted as the outbreak developed into a pandemic affecting all of our markets. Most of the stores closed and remaining stores saw steep decline in footfall. In beginning of June, most of our stores were reopened; however, they still faced soft trading. Consequently, we expect revenue significantly below what we realised in 2019 and earnings being severely negatively impacted by the decline in revenue. Due to the unpredictable nature of the situation, it is not possible to guide on the exact impact since it depends on duration and severity of the outbreak.

The significant lower than expected revenue has had a negative impact on the Group and the Parent's liquidity position and in response and to establish an appropriate foundation for preparing the financial statements on a going concern basis, the Group has taken the necessary actions to ensure adequate cash preservation across our entities including cost reduction initiatives and application for government support schemes as well as obtaining new funding (please refer to Operating and financial review page 17 for more information).

5.6 List of group companies

Investments in group companies comprise the following at 31 December 2019.

Name	Home	Year of establishment	Ownership interest
Tiger Ísland ehf.	Reykjavík, Iceland	2001	100%
Tiger Retail Ltd.	London, England	2005	100%
Tiger Deutschland GmbH*	Flensburg, Germany	2007	100%
Tiger Stores Nederland B.V.	Amsterdam, the Netherlands	2008	100%
Tiger Stores Spain, S.L.	Madrid, Spain	2008	100%
TZ-shops South Sweden AB	Malmö, Sweden	2008	100%
SIA Tiger Shop	Riga, Latvia	2009	50%
UAB Tiger Shop	Vilnius, Lithuania	2010	50%
Tiger Hellas S.A.	Thessaloniki, Greece	2010	50%
Tiger Italia 1, S.r.l.	Turin, Italy	2011	100%
Tiger Warsaw Sp. Z.o.o.	Warszawa, Poland	2011	100%
Tiger Retail Ireland Ltd.	Dublin, Ireland	2011	100%
TGR Norge AS	Oslo, Norway	2011	100%
TZ Stores Ltd.	Edinburgh, Scotland	2011	100%
Tiger Stores OY	Espoo, Finland	2011	100%
Zebra Japan K.K.	Tokyo, Japan	2011	50%
HK China Trading Holding Ltd.	Hong Kong	2012	100%
Tiger Italy 2, S.r.l.	Bologna, Italy	2012	50%
TGR Stores (NI) Ltd.	Omagh, Northern Ireland	2012	100%
Tiger Portugal S.A.	Charneca de Caparica, Portugal	2012	50%
Tiger Canarias, S.L.	Las Palmas, Spain	2013	50%
Tiger South Spain, S.L.	Malaga, Spain	2013	50%
Tiger Italy 3, S.r.l.	Bologna, Italy	2013	50%
Tiger Stores North West Spain, S.L.	La Coruña, Spain	2013	50%
Tiger Cardiff Ltd.	Newport, Wales	2013	100%
Tiger Stores Spain 6, S.L.	Madrid, Spain	2013	100%
Tiger U.K. (Midlands) Ltd.	Glostershire, England	2013	50%
Tiger Stores Belgium, BVBA	Antwerp, Belgium	2013	50%
Tiger Stores Austria GmbH	Wien, Austria	2014	50%
Tiger Stores Belgium 2 SPRL	Namur, Belgium	2014	50%
Tiger Stores Cyprus Limited	Nicosia, Cyprus	2014	50%
Tiger Czech Republic s.r.o.	Prague, Czech Republic	2014	50%
Tiger Stores OU Estonia	Tallinn, Estonia	2014	50%
Tiger Stores Spain 5, S.L.	Bilbao, Spain	2014	50%
Tiger Stores France SAS	Nice, France	2014	50%
Tiger Poland 2 Sp. z. o. o.	Poznan, Poland	2014	100%
Tiger Stores France 2 SAS	Paris, France	2014	50%
Tiger Stores France 4 SAS	Paris, France	2014	100%
Zebra US Holding, Inc.	Delaware, United States	2014	100%
Tiger Retail East Coast, LLC*	New York, United States	2014	100%
Tiger Stores Slovakia S.R.O.	Bratislava, Slovakia	2014	50%
Tiger North Ltd.	Birmingham, England	2015	100%
Tiger Stores Hungary Zrt.	Budapest, Hungary	2015	50%
Tiger Stores (Malta) Limited	Valletta, Malta	2015	50%
Tiger Stores (Switzerland AG)	Luzern, Switzerland	2016	50%
Flying Tiger Korea Chusik Hoesa	Seoul, South Korea	2016	50%
Zebra Trading (Shanghai) Co., Ltd	Shanghai, China	2017	100%
Zebra Stores New England, LLC*	Delaware, United States	2017	50%
Zebra US Franchisor, LLC	Delaware, United States	2018	100%
Zebra US Supplier, LLC	Delaware, United States	2018	100%
Zebra Canada Retail Holding Inc	New Brunswick, Canada	2018	100%

The voting interests correspond to ownership interests. Please refer to note 1.2 regarding consolidation of 50% ownership interests.

During 2019 Tiger Stores Spain, S.L. and Tiger Stores Spain 6, S.L. were merged into one with Tiger Stores Spain, S.L. as the continuing company and the two group companies in Poland have been merged into one with Tiger Warsaw Sp. Z.o.o. as the continuing company. In the United Kingdom, Tiger Retail Ltd. has bought the activity in Tiger Cardiff Ltd. and TZ Stores Ltd.

* Group companies classified as discontinued operations.

Definition of key figures and ratios

The figures and ratios have been compiled based on the following definitions and formulas:

Gross margin =	Gross profit x 100 / Revenue
EBITDA margin before special items =	EBITDA before special items / Revenue
Net interest-bearing debt =	Bank debt + Loans provided by shareholders of non-controlling interests + Lease liabilities - Cash and cash equivalents
Net working capital ratio =	Net working capital / Revenue
Leverage =	Net interest-bearing debt / EBITDA before special items
Adjusted profit/(loss) for the year =	Profit/(loss) for the year adjusted for extraordinary write-downs and scrappings, special items after tax, fair value adjustment of call options, impact of IFRS 16 and discontinued operations
Adjusted profit/(loss) margin =	Adjusted profit/(loss) for the year / Revenue

Comparable store sales growth

- *Comparable store sales include the following:*
  - Stores open for at least 18 full months at the reporting date.
  - Stores that have been expanded but not changed significantly in size.
  - Stores that are relocated but remain within the same trade area, and are not changed significantly in size.
- *Comparable store sales exclude the following:*
  - If a store is closed for refurbishment, it is excluded in the months during which the store is closed plus one full calendar month following reopening.
  - If a store is relocated within the same trade area and the original store remains temporarily open, the original store will be excluded from the month where the new store opens.
  - If the opening of a new store significantly cannibalises surrounding stores' performance over a 6-month period, the existing store will be excluded for 18 months from the month where the new store opens.
- *Comparable store sales growth excludes foreign currency translation effects*

Financial statements – Parent Company

Income statement – Parent

1 January - 31 December

DKKm	Note	2019	2018
Revenue	2.1	2,428.4	2,701.7
Cost of sales		(1,785.0)	(2,273.6)
Gross profit		**643.4**	**428.1**
Other external expenses		(215.1)	(348.1)
Staff costs	2.2	(275.4)	(317.2)
Impairment loss and reversals of impairment loss on receivables from subsidiaries	3.5	23.1	(17.9)
Other operating income		2.0	(0.9)
EBITDA before special items		**178.0**	**(256.0)**
Amortisation and depreciation		(159.5)	(50.2)
Operating profit/(loss) (EBIT) before special items		**18.5**	**(306.2)**
Special items	2.3	(76.5)	(98.6)
Operating loss (EBIT)		**(58.0)**	**(404.8)**
Income from investments in subsidiaries		169.7	67.4
Financial income	4.4	48.8	12.7
Financial expenses	4.4	(283.5)	(105.7)
Fair value adjustment of call options		104.9	(223.2)
Loss before tax		**(18.1)**	**(653.6)**
Tax on loss for the year	2.4	(23.6)	92.4
Loss for the year		**(41.7)**	**(561.2)**
Proposed appropriation of loss for the year:			
Retained earnings		(41.7)	(561.2)
Loss for the year		**(41.7)**	**(561.2)**

Statement of other comprehensive income – Parent
1 January - 31 December

DKKm	Note	2019	2018
Loss for the year (brought forward)		**(41.7)**	**(561.2)**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange hedging instruments:			
- Realised in inventories		(13.7)	(6.1)
- Realised in cost of sales		(52.5)	(8.7)
- Realised in financial items		(3.8)	-
- Fair value adjustments		43.1	66.7
Tax on hedging instruments		5.9	(11.4)
Other comprehensive income		**(21.0)**	**40.5**
Total comprehensive loss for the year		**(62.7)**	**(520.7)**

Balance sheet – Parent

31 December

Assets

DKKm	Note	2019	2018
Intangible assets	3.1	240.9	264.9
Right-of-use assets	3.2	404.8	-
Property, plant and equipment	3.3	46.1	56.1
Investment in subsidiaries and joint ventures	3.4	777.5	766.5
Receivables from subsidiaries	3.5	64.0	100.9
Deposits		29.1	18.4
Derivative financial instruments	4.3	555.1	450.2
Deferred tax	2.4	159.9	176.2
Non-current assets		**2,277.4**	**1,833.2**
Inventories	3.6	670.6	825.3
Receivables from subsidiaries	3.5	267.2	332.2
Receivables from joint ventures		5.6	3.8
Derivative financial instruments	4.3	14.9	42.5
Other receivables		12.0	30.7
Prepayments		7.2	9.7
Cash and cash equivalents		10.2	18.9
Assets held for sale	3.4, 5.1	13.2	-
Current assets		**1,000.9**	**1,263.1**
Assets		**3,278.3**	**3,096.3**

Balance sheet – Parent

31 December

Equity and liabilities

DKKm	**Note**	**2019**	**2018**
Share capital	4.1	455.5	0.5
Currency hedging reserve		(0.3)	20.7
Development costs reserve		149.8	148.8
Retained earnings		149.2	166.5
Equity		**754.2**	**336.5**
Other provisions	3.7	23.9	17.4
Bank debt	4.2, 4.5	996.1	1,126.1
Lease liabilities	3.2, 4.2, 4.5	336.8	-
Deferred considerations	4.2	-	7.3
Other non-current liabilities	4.2	11.1	1.3
Non-current liabilities		**1,367.9**	**1,152.1**
Other provisions	3.7	58.3	0.9
Bank debt	4.2, 4.5	237.8	459.0
Lease liabilities	3.2, 4.2, 4.5	89.0	-
Trade payables	4.2	464.8	807.0
Amounts payable to subsidiaries	4.2, 4.5	231.5	147.0
Deferred considerations	4.2	3.8	92.6
Derivative financial instruments	4.2	5.8	0.8
Other payables	3.8, 4.2	65.2	100.4
Current liabilities		**1,156.2**	**1,607.7**
Liabilities		**2,524.1**	**2,759.8**
Equity and liabilities		**3,278.3**	**3,096.3**

Statement of changes in equity – Parent

1 January – 31 December

DKKm	Share capital	Currency hedging reserve	Development costs reserve	Retained earnings	Total equity
2019					
Equity 01.01.	**0.5**	**20.7**	**148.8**	**166.5**	**336.5**
Loss for the year	-	-	-	(41.7)	(41.7)
Other comprehensive income for the year, net of tax	-	(21.0)	-	-	(21.0)
Capitalised development costs	-	-	1.0	(1.0)	-
Transactions with owners:					
Share capital increase	455.0	-	-	25.4	480.4
Equity 31.12.	**455.5**	**(0.3)**	**149.8**	**149.2**	**754.2**
2018					
Equity 01.01.	**0.5**	**(19.8)**	**134.5**	**739.3**	**854.5**
Loss for the year	-	-	-	(561.2)	(561.2)
Other comprehensive income for the year, net of tax	-	40.5	-	-	40.5
Capitalised development costs	-	-	14.3	(14.3)	-
Transactions with owners:					
Share capital increase	0.0	-	-	2.7	2.7
Equity 31.12.	**0.5**	**20.7**	**148.8**	**166.5**	**336.5**

Transaction costs of DKK 1.8m (2018: DKK 0m) have been recognised in Retained earnings under Share capital increase.

Cash flow statement – Parent

1 January – 31 December

DKKm	Note	2019	2018
Operating profit/(loss) (EBIT) before special items		**18.5**	**(306.2)**
Armortisation and depreciation		159.5	50.2
Special items paid		(59.5)	(82.0)
Working capital changes	3.9	(32.1)	(63.0)
Other non-cash adjustments		(216.2)	172.9
Interest income received		17.4	11.8
Interest expenses paid		(89.5)	(50.2)
Taxes paid		(1.4)	(1.5)
Cash flows from operating activities		**(203.3)**	**(268.0)**
Investment in intangible assets		(22.2)	(50.8)
Investment in right-of-use assets		(1.0)	-
Sale of right-of-use assets		1.3	-
Investment in property, plant and equipment		(5.2)	(23.8)
Sale of property, plant and equipment		4.6	-
Investment in subsidiaries		(98.7)	(288.8)
Loans to subsidiaries		82.6	(47.4)
Dividend from subsidiaries		169.7	67.4
Change in deposits		(10.7)	(0.8)
Cash flow from investing activities		**120.4**	**(344.2)**
Free cash flow		**(82.9)**	**(612.2)**
Share capital increase		476.1	2.7
Repayment of lease liabilities	4.5	(77.0)	-
Proceeds from/(repayment of) loans and borrowings	4.5	(324.9)	606.3
Cash flow from financing activities		**74.2**	**609.0**
Decrease in cash and cash equivalents		**(8.7)**	**(3.2)**
Cash and cash equivalents at 1 January		18.9	22.1
Cash and cash equivalents at 31 December		**10.2**	**18.9**

Unutilised credit facilities for the Parent Company were DKK 321.2m at 31 December 2019 (2018: DKK 215.4m).
The cash flow cannot be derived directly from the income statement and the balance sheet.

1.1 General accounting policies

Accounting policies
The financial statements for Zebra A/S have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements applying to companies of reporting class C (large). Zebra A/S is a public limited company registered in Denmark.

The Parent generally applies the same accounting policies for recognition and measurement as the Group. Cases in which the Parent´s accounting policies differ from those of the Group are described below. For a detailed specification of the Parent´s accounting policies, please see note 1.1 to the consolidated financial statements.

Cases in which the Parent´s accounting policies differ from those of the Group
Foreign currency translation
Currency adjustments of receivables from or payables to subsidiaries which are considered part of the Parent´s total investment in the relevant subsidiary are recognised in profit or loss in financial income or financial expenses. In the consolidated financial statements, the currency adjustment is recognised in other comprehensive income.

Investment in subsidiaries and joint ventures in the Parent financial statements
Investments in subsidiaries and joint ventures are measured at cost in the Parent financial statements. If cost exceeds the recoverable amount of the investments, the investments are written down to such lower amount.

In connection with sale of investments in subsidiaries and joint ventures, profits or losses are calculated as the difference between the fair value of the sales proceeds and the carrying amount of the investments sold.

Reserve for capitalised developments costs
In accordance with the amended Danish Financial Statements Act, the Parent has established a non-distributable reserve in equity covering development costs capitalised in 2016 and later less amortisation and tax.

Implementation of new or amended standards and interpretations
Please refer to note 1.1 to the consolidated financial statements.

1.2 Significant accounting estimates and judgments

The Executive Management regards the following as the significant accounting estimates and assumptions used in the preparation of the Parent financial statements:

Recoverable amount of investments in subsidiaries and joint ventures
All subsidiaries and joint ventures of the Group are considered independent cash-generating entities. If there is any indication of impairment of the carrying amount (cost) of investments in subsidiaries or joint ventures, the impairment loss is determined based on the calculation of the value-in-use of the relevant entity.

If dividends distributed exceed the comprehensive income of the relevant entity in the period for which dividend is distributed, this is considered an indication of impairment. If, in the consolidated financial statements, write-down of goodwill attributable to a subsidiary or a joint venture is recognised, this is also considered an indication of impairment.

Other significant accounting estimates, assumptions and uncertainties
For a description of other significant accounting estimates, assumptions and uncertainties, please refer to note 1.2 to the consolidated financial statements.

1.3 Implementation impact of IFRS 16 Leases

IFRS 16 has been adopted using the modified retrospective approach and therefore the comparative information has not been restated. The reclassifications and adjustments arising from the adoption of IFRS 16 are therefore not reflected in the balance sheet as of 31 December 2018, but are recognised in the opening balance sheet on 1 January 2019.

When measuring lease liabilities for leases that were classified as operating leases, the Parent discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.1%.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. Accordingly, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Effect on the opening balance at 1 January 2019

DKKm	31 Dec 2018 as originally presented	IFRS 16 changes	1 Jan 2019 restated
Intangible assets	264.9	(8.9)	256.0
Right-of-use assets	-	450.9	450.9
Non-current assets	**1,833.2**	**442.0**	**2,275.2**
Prepayments	9.7	(4.4)	5.3
Current assets	**1,263.1**	**(4.4)**	**1,258.7**
Assets	**3,096.3**	**437.6**	**3,533.9**
Lease liabilities	-	371.8	371.8
Other non-current liabilities	1.3	(1.3)	-
Non-current liabilities	**1,152.1**	**370.5**	**1,522.6**
Lease liabilities	-	72.2	72.2
Trade payables	807.0	(5.7)	801.3
Other payables	100.4	0.6	101.0
Current liabilities	**1,607.7**	**67.1**	**1,674.8**
Liabilities	**2,759.8**	**437.6**	**3,197.4**
Equity and liabilities	**3,096.3**	**437.6**	**3,533.9**

Reconciliation between operating lease commitments at 31 December 2018 under IAS 17 and lease liability recognised at 1 January 2019 at adoption of IFRS 16

DKKm	1 January 2019
Operating lease commitments at 31 December 2018 under IAS 17	154.5
Discounted using the incremental borrowing rate at 1 January 2019	(10.7)
Recognition exemption for short term and low-value leases	(0.3)
Termination options reasonably certain not to be exercised and extension options reasonably certain to be exercised	300.5
Total lease liability at 1 January 2019 under IFRS 16	**444.0**

1.3 Implementation impact of IFRS 16 Leases (continued)

The tables below show the amount of impact for each financial statement line item affected by the application of IFRS 16 for the current year. Line items that were not affected by the changes have not been included. Accordingly, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Effect on the income statement

DKKm	IAS 17 2019	IFRS 16 2019	Change 2019
Other external expenses	(317.5)	(215.1)	102.4
EBITDA before special items	**75.6**	**178.0**	**102.4**
Amortisation and depreciation	(56.5)	(159.5)	(103.0)
Operating profit/(loss) (EBIT) before special items	**19.1**	**18.5**	**(0.6)**
Operating loss (EBIT)	**(57.4)**	**(58.0)**	**(0.6)**
Financial expenses	(270.9)	(283.5)	(12.6)
Loss before tax	**(4.9)**	**(18.1)**	**(13.2)**
Loss for the year	**(28.5)**	**(41.7)**	**(13.2)**

Effect on the balance sheet

DKKm	IAS 17 2019	IFRS 16 2019	Change 2019
Intangible assets	248.0	240.9	(7.1)
Right-of-use assets	-	404.8	404.8
Property, plant and equipment	46.2	46.1	(0.1)
Non-current assets	**1,879.8**	**2,277.4**	**397.6**
Prepayments	12.2	7.2	(5.0)
Current assets	**1,005.9**	**1,000.9**	**(5.0)**
Assets	**2,885.7**	**3,278.3**	**392.6**
Retained earnings	162.4	149.2	(13.2)
Equity	**767.4**	**754.2**	**(13.2)**
Lease liabilities	0.2	336.8	336.6
Other non-current liabilities	12.0	11.1	(0.9)
Non-current liabilities	**1,032.2**	**1,367.9**	**335.7**
Lease liabilities	-	89.0	89.0
Trade payables	484.0	464.8	(19.2)
Other payables	64.9	65.2	0.3
Current liabilities	**1,086.1**	**1,156.2**	**70.1**
Liabilities	**2,118.3**	**2,524.1**	**405.8**
Equity and liabilities	**2,885.7**	**3,278.3**	**392.6**

1.3 Implementation impact of IFRS 16 Leases (continued)

Effect on the statement of cash flows

DKKm	IAS 17 2019	IFRS 16 2019	Change 2019
Operating profit/(loss) (EBIT) before special items	19.1	18.5	(0.6)
Amortisation and depreciation	56.5	159.5	103.0
Working capital changes	(19.3)	(32.1)	(12.8)
Interest expenses paid	(76.9)	(89.5)	(12.6)
Cash flows from operating activities	**(280.3)**	**(203.3)**	**77.0**
Repayment of lease liabilities	-	(77.0)	(77.0)
Cash flows from financing activities	**151.2**	**74.2**	**(77.0)**

2.1 Revenue

Accounting policies

The Parent designs and purchases the goods for the whole Group and sells the goods to all the group entities. Sales are recognised when control of products has transferred upon delivery to the group entity. Delivery occurs when the goods have been shipped from the central warehouses.

Revenue is recognised based on the price specified in the invoice. No element of financing is deemed present as the sales are made with a credit term of mainly 14 days.

A receivable is recognised when the goods are delivered. Please refer to note 3.5 for information on receivables from subsidiaries and recognition of impairment losses.

The Parent operates the Group's retail stores in Denmark. Please refer to note 2.1 to the consolidated financial statements for more information.

DKKm	2019	2018
Retail sale	460.7	513.7
Wholesale, affiliated entities	1,967.7	2,188.0
Total	**2,428.4**	**2,701.7**

2.2 Staff costs

DKKm	2019	2018
Salaries and wages	250.3	283.9
Pension contributions	26.9	27.6
Other social security costs	1.5	3.1
Other staff costs	7.5	14.5
Total	**286.2**	**329.1**
Capitalised salaries and wages related to development projects	(10.8)	(11.9)
Recognised in the income statement	**275.4**	**317.2**
Average number of full-time equivalents	**628**	**661**
Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management*	25.6	10.6
Total remuneration, Board of Directors	1.2	1.8
Total	**26.8**	**12.4**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages*	24.6	11.4
Pensions	2.2	1.0
Total	**26.8**	**12.4**

*Includes severance payments.

No member of the Board of Directors received a consultancy fee in 2019 (2018: DKK 0.4m).

2.3 Special items

DKKm	2019	2018
Transformation program	48.0	-
Costs associated with the establishment of new management team	25.6	8.3
Costs related to the fire on the vessel Maersk Honam	2.8	20.7
Implementation of GDPR	0.1	3.3
Costs related to strategy project	-	62.2
Costs related to acquisition of non-controlling interests	-	1.8
Restructuring of subsidiaries	-	0.7
Establishment in new markets	-	1.6
Total	**76.5**	**98.6**

2.4 Income taxes and deferred tax

Significant accounting estimates and judgments
The Parent recognises deferred tax assets including the expected tax value of tax losses carry forward, if the Executive Management assesses that these tax assets can be offset against positive taxable income within The Parents' budgeting period that exceeds realisation of deferred tax liabilities. The Executive Management assesses tax assets and liabilities at least annually based on dialogue with tax advisors, business plans for the coming years, including other planned commercial initiatives.

The Executive Management considers it probable that an amount of DKK 159.9m in tax assets can be offset against positive taxable income within the next five years while an amount of DKK 39.4m at year-end 2019 in tax assets has been removed by way of a valuation allowance. The amount of tax assets not shown in the balance sheet can still be carried forward to be offset against future taxable income after the budgeting period. Of the total deferred tax assets recognised, DKK 132.8m (2018: DKK 90.4m) is related to tax loss carry-forwards.

2.4 Income taxes and deferred tax (continued)

Tax costs

DKKm	**2019**	**2018**
Current tax	1.4	1.5
Change in deferred tax during the year	(17.1)	(95.0)
Adjustment to deferred tax concerning previous years	(0.1)	1.1
Impairment of deferred tax	39.4	-
Total	**23.6**	**(92.4)**

Tax reconciliation

DKKm	**2019**	**2018**
Loss before tax	(18.1)	(653.6)
Calculated 22.0% on loss before tax	(4.0)	(143.8)
Tax effect from:		
Withholding taxes	1.4	1.5
Non-taxable income and non-deductible expenses	(13.1)	48.8
Adjustments concerning previous years	(0.1)	1.1
Impairment of deferred tax	39.4	-
Total	**23.6**	**(92.4)**
Effective tax rate	**-130.2%**	**14.1%**

Effective tax rate adjusted for non-taxable income from investments in subsidiaries is -12.6% (2018: 12.8%).

Deferred tax

DKKm	**2019**	**2018**
Deferred tax assets	159.9	176.2
Total	**159.9**	**176.2**

2.4 Income taxes and deferred tax (continued)

DKKm	Deferred tax 01.01.	Adjustment on adoption of IFRS 16	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax 31.12.
2019					
Intangible assets	11.2	-	8.4	-	19.6
Right-of-use assets	-	(97.7)	9.8	-	(87.9)
Property, plant and equipment	11.5	-	2.0	-	13.5
Inventories	49.1	-	(48.0)	-	1.1
Lease liabilities	-	97.7	(3.4)	-	94.3
Receivables from subsidiaries	3.0	-	(2.6)	-	0.4
Foreign exchange hedging	(5.8)	-	-	5.9	0.1
Tax losses to be carried forward	90.4	-	42.4	-	132.8
Impairment of deferred tax	-	-	(39.4)	-	(39.4)
Interest limitation balances	4.0	-	3.7	-	7.7
Other	12.8	-	4.9	-	17.7
Deferred tax	**176.2**	**-**	**(22.2)**	**5.9**	**159.9**
2018					
Intangible assets	4.2	-	7.0	-	11.2
Property, plant and equipment	7.8	-	3.7	-	11.5
Inventories	12.0	-	37.1	-	49.1
Receivables from subsidiaries	-	-	3.0	-	3.0
Foreign exchange hedging	5.6	-	-	(11.4)	(5.8)
Tax losses to be carried forward	57.5	-	32.9	-	90.4
Interest limitation balances	0.7	-	3.3	-	4.0
Other	5.9	-	6.9	-	12.8
Deferred tax	**93.7**	**-**	**93.9**	**(11.4)**	**176.2**

3.1 Intangible assets

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
2019						
Cost 01.01.	12.5	17.8	0.8	303.2	8.2	342.5
Reclassified to right-of-use assets	-	(17.8)	-	-	-	(17.8)
Additions	-	-	-	0.5	-	0.5
Additions, internal development	-	-	-	-	21.7	21.7
Transfer	-	-	-	5.3	(5.3)	-
Disposals	(0.7)	-	-	(0.4)	-	(1.1)
Cost 31.12.	**11.8**	**-**	**0.8**	**308.6**	**24.6**	**345.8**
Amortisation 01.01.	-	(8.9)	(0.1)	(68.6)	-	(77.6)
Reclassified to right-of-use assets	-	8.9	-	-	-	8.9
Amortisation	-	-	-	(35.7)	-	(35.7)
Impairment losses	(0.9)	-	-	-	-	(0.9)
Disposals	-	-	-	0.4	-	0.4
Amortisation 31.12.	**(0.9)**	**-**	**(0.1)**	**(103.9)**	**-**	**(104.9)**
Carrying amount 31.12.	**10.9**	**-**	**0.7**	**204.7**	**24.6**	**240.9**
2018						
Cost 01.01.	12.5	16.1	0.8	243.0	19.3	291.7
Additions	-	1.7	-	13.5	-	15.2
Additions, internal development	-	-	-	27.9	7.7	35.6
Transfer	-	-	-	18.8	(18.8)	-
Cost 31.12.	**12.5**	**17.8**	**0.8**	**303.2**	**8.2**	**342.5**
Amortisation 01.01.	-	(8.0)	(0.1)	(38.4)	-	(46.5)
Amortisation	-	(0.9)	-	(30.2)	-	(31.1)
Amortisation 31.12.	**-**	**(8.9)**	**(0.1)**	**(68.6)**	**-**	**(77.6)**
Carrying amount 31.12.	**12.5**	**8.9**	**0.7**	**234.6**	**8.2**	**264.9**

Net loss from disposals of intangible assets amounts to DKK 0.7m (2018: DKK 0m).

3.2 Right-of-use assets and lease liabilities

Right-of-use assets

DKKm	Property	Cars	Other equipment	Store furniture	Total
2019					
Recognised on adoption 01.01	447.0	0.7	3.2	-	450.9
Additions	184.7	0.8	0.1	0.1	185.7
Adjustment due to remeasurement of lease liabilities	(126.0)	-	-	-	(126.0)
Disposals	(1.8)	-	-	-	(1.8)
Depreciation	(101.5)	(0.5)	(1.5)	-	(103.5)
Impairment loss	(0.5)	-	-	-	(0.5)
Carrying amount 31.12.	**401.9**	**1.0**	**1.8**	**0.1**	**404.8**

Net loss from selling right-of-use assets amounts to DKK 0.6m

Lease liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2019					
Lease liabilities	100.2	256.4	112.4	469.0	425.8
Total	**100.2**	**256.4**	**112.4**	**469.0**	**425.8**

Non-current liabilities	336.8
Current liabilities	89.0
Total	**425.8**

Amounts recognised in profit or loss

DKKm	2019
Depreciation charge of right-of-use assets	103.5
Interest expense on lease liabilities (included in finance cost)	12.6
Expense relating to short-term leases (included in other external expenses)	0.6
Expense relating to leases of low value assets (included in other external expenses)	-

Certain contracts are partly subject to variable rent payments based on revenue, which are not included in the measurement of the lease liability. For 2019 this amounted to DKK 2.1m, which is included in other external expenses.

The total cash outflow for leases in 2019 was DKK 92.3m.
At 31 December the Parent is committed to DKK 0.2m for short term leases.

3.3 Property, plant and equipment

DKKm	Leasehold improvements	Store furniture	Other equipment	Total
2019				
Cost 01.01.	56.2	46.7	27.0	129.9
Additions	8.0	0.8	3.4	12.2
Disposals	(7.8)	(3.1)	(2.7)	(13.6)
Cost 31.12.	**56.4**	**44.4**	**27.7**	**128.5**
Depreciation 01.01.	(26.5)	(30.9)	(16.4)	(73.8)
Depreciation	(7.2)	(6.4)	(1.6)	(15.2)
Impairment losses	(0.3)	(0.1)	(0.2)	(0.6)
Disposals	4.5	2.4	0.3	7.2
Depreciation 31.12.	**(29.5)**	**(35.0)**	**(17.9)**	**(82.4)**
Carrying amount 31.12.	**26.9**	**9.4**	**9.8**	**46.1**
2018				
Cost 01.01.	55.5	45.3	14.4	115.2
Additions	5.8	5.7	12.6	24.1
Disposals	(5.1)	(4.3)	-	(9.4)
Cost 31.12.	**56.2**	**46.7**	**27.0**	**129.9**
Depreciation 01.01.	(24.6)	(27.7)	(11.8)	(64.1)
Depreciation	(6.6)	(7.2)	(2.3)	(16.1)
Impairment losses	-	-	(2.3)	(2.3)
Disposals	4.7	4.0	-	8.7
Depreciation 31.12.	**(26.5)**	**(30.9)**	**(16.4)**	**(73.8)**
Carrying amount 31.12.	**29.7**	**15.8**	**10.6**	**56.1**

Net loss from selling or scrapping of property, plant and equipment amounts to DKK 1.8m (2018: DKK 0.7m).

3.4 Investment in subsidiaries and joint ventures

Accounting policies
Investments in subsidiaries and joint ventures are measured at cost in the Parent financial statements. If cost exceeds the recoverable amount of the investments, the investments are written down to such lower amount.

In connection with sale of investments in subsidiaries and joint ventures, profits or losses are calculated as the difference between the carrying amount of the investments sold and the fair value of the sales proceeds.

Significant accounting estimates and judgments
The impairment test showed a need for impairment of the investment in mainly two entities due to significant negative results as well as a debt to equity conversion in our Norwegian subsidiary to support the transformation plan for the Norwegian market and impairment of our German subsidiary which is held for sale.

Zebra Japan K.K.
The investment in joint ventures in 2018 and 2019 consisted of the investment in Zebra Japan K.K., which markets and sells products from Flying Tiger Copenhagen on the Japanese market.

The carrying amount of the investment is tested annually for impairment.

The impairment test did not show any need for additional impairment loss or reversal of the existing impairment losses recognised in prior years.

The applied assumptions are disclosed in note 3.4 to the Consolidated Financial Statements.

DKKm	Investment in subsidiaries	Investment in joint ventures	Total
2019			
Cost 01.01.	742.6	53.1	795.7
Additions	90.6	-	90.6
Disposals	(2.5)	-	(2.5)
Reclassified to assets held for sale	(34.7)	-	(34.7)
Cost 31.12.	**796.0**	**53.1**	**849.1**
Impairment losses 01.01.	(11.2)	(18.0)	(29.2)
Impairment losses during the year	(85.5)	-	(85.5)
Impairment losses, reversed during the year	8.4	-	8.4
Reclassified to assets held for sale	34.7	-	34.7
Impairment losses 31.12.	**(53.6)**	**(18.0)**	**(71.6)**
Carrying amount 31.12.	**742.4**	**35.1**	**777.5**
2018			
Cost 01.01.	707.4	53.1	760.5
Additions	35.2	-	35.2
Cost 31.12.	**742.6**	**53.1**	**795.7**
Impairment losses 01.01.	(2.5)	(18.0)	(20.5)
Impairment losses	(8.7)	-	(8.7)
Impairment losses 31.12.	**(11.2)**	**(18.0)**	**(29.2)**
Carrying amount 31.12.	**731.4**	**35.1**	**766.5**

See note 5.6 to the consolidated financial statements for a list of Group companies.

3.5 Receivables from subsidiaries

Accounting policies

Receivables from subsidiaries consists of receivables from trade as well as intercompany loans and cash pools. The receivables are measured at amortised cost less expected lifetime credit losses. The maximum credit risk is equal to the gross receivables as the Parent has no collateral security.

The expected loss rates are based on days past due and whether a receivable concerns sale of goods or a loan. Current expectations and estimates of expected credit losses are furthermore based on historic impairment rates, change in debtor behaviour and current economic conditions.

Expected credit losses are based on an individual assessment of each receivable and at portfolio level.

Impairment losses relating to trade receivables are deducted from the carrying amount and is recognised in the Income statement in a separate line Impairment loss on receivables from subsidiaries. Impairment losses relating to intercompany loans are deducted from the carrying amount and are recognised in the income statement under financial expenses.

Intercompany balances which are expected to be settled as part of the normal operating cycle, or where an unconditional right to defer settlement of the liability for at least twelve months after the reporting period do not exist, are classified as current assets.

Significant accounting estimates and judgments

If a subsidiary's financial conditions deteriorates, further impairment losses may be required in future periods. In assessing the adequacy of expected credit losses, the Executive Management analyses receivables, including overdue debt, current economic conditions and changes in debtor's payment behaviour.

The assessment of expected lifetime credit losses on receivables from subsidiaries resulted in recognition of an impairment loss in 2019 of DKK 40.9m (2018: DKK 35.5m). The impairment losses in 2019 relates primarily to intercompany receivables from entities, which are classified as assets held for sale and where the debt will not be a part of the envisaged transaction. In 2019 an amount of DKK 41.1m (2018: DKK 0.1m) regarding previous years provisions was reversed as the outstanding intercompany amount was no longer considered impaired.

		Due between (days)			
DKKm	**Not fallen due**	**1-30**	**31-90**	**>91**	**Total**
2019					
Intercompany loans (interest-bearing)	207.2	-	-	-	207.2
Trade receivables	50.1	81.1	33.0	2.2	166.4
Impairment losses	(41.1)	-	(1.3)	-	(42.4)
Receivables from subsidiaries	**216.2**	**81.1**	**31.7**	**2.2**	**331.2**
Proportion of the total receivables expected to be settled					88.7%
Impairment rate	16.0%	0.0%	3.9%	0.0%	11.3%
2018					
Intercompany loans (interest-bearing)	229.3	-	-	-	229.3
Trade receivables	136.5	46.1	33.1	33.8	249.5
Impairment losses	(22.2)	(7.6)	(9.7)	(6.2)	(45.7)
Receivables from subsidiaries	**343.6**	**38.5**	**23.4**	**27.6**	**433.1**
Proportion of the total receivables expected to be settled					90.5%
Impairment rate	6.1%	16.5%	29.3%	18.3%	9.5%

3.5 Receivables from subsidiaries (continued)

DKKm	2019	2018
Impairment losses 01.01.	**(45.7)**	**(14.4)**
Reversed impairment losses recognised in Income statement under 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'	23.1	-
Reversed impairment losses recognised in Income statement under 'Financial Income'	18.0	0.1
Impairment, during the year recognised in Income statement under 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'	-	(17.9)
Impairment, during the year recognised in Income statement under 'Financial expenses'	(40.9)	(17.6)
Realised losses	3.1	4.1
Impairment losses 31.12.	**(42.4)**	**(45.7)**

3.6 Inventories

The provision for write-downs has been reversed in the Parent and a similar provision has been made in the Group to reflect that write-downs materialise in the local companies.

DKKm	2019	2018
Finished goods	688.9	1,048.7
Write-downs	(5.1)	(223.4)
Reclassified to assets held for sale	(13.2)	-
Total	**670.6**	**825.3**
Write-downs 01.01.	(223.4)	(56.1)
Write-downs, during the year	(1.4)	(184.2)
Write-downs, utilised during the year	7.9	16.9
Write-downs, reversed during the year	211.8	-
Write-downs 31.12.	**(5.1)**	**(223.4)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 0m (2018: DKK 75.5m).

3.7 Other provisions

DKKm	2019	2018
Provisions 01.01.	18.3	12.3
Provisions, during the year	66.6	6.0
Provisions, utilised	(0.7)	-
Provisions, reversed during the year	(2.0)	-
Provisions 31.12.	**82.2**	**18.3**
Non-current provisions	23.9	17.4
Current provisions	58.3	0.9
Total	**82.2**	**18.3**

Other provisions relate mainly to restoration obligations in connection with vacating leased premises as well as a provision to cover the bank debt in entities, wich are classified as assets held for sale and where the debt will not be a part of the envisaged transaction. Other provisions also include an estimated contribution to damage and salvage costs from a fire on the container carrier, Maersk Honam in March 2018.

The expected costs and timing are by nature uncertain. No provisions are discounted as the impact is considered insignificant.

3.8 Other payables

DKKm	2019	2018
VAT and other indirect taxes	10.6	6.8
Employee costs	45.3	46.2
Other	9.3	47.4
Total	**65.2**	**100.4**

3.9 Working capital changes

DKKm	2019	2018
Change in inventories	359.8	(307.1)
Change in receivables from subsidiaries	(71.5)	(101.7)
Change in receivables from joint ventures	(1.8)	(1.0)
Change in other receivables	18.6	(9.3)
Change in prepayments	(2.0)	(3.0)
Change in trade payables	(329.7)	368.5
Change in payables to subsidiaries	50.1	(11.9)
Change in other payables	(55.6)	2.5
Total	**(32.1)**	**(63.0)**

4.1 Share capital

Please refer to note 4.1 to the consolidated financial statements for information on share capital.

4.2 Financial liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2019					
Financial liabilities					
Bank debt	291.0	1,045.3	-	1,336.3	1,233.9
Lease liabilities	100.2	256.4	112.4	469.0	425.8
Deferred considerations	3.8	-	-	3.8	3.8
Derivative financial instruments	5.8	-	-	5.8	5.8
Other non-current liabilities	-	11.1	-	11.1	11.1
Trade payables	464.8	-	-	464.8	464.8
Amounts payable to subsidiaries	231.5	-	-	231.5	231.5
Other payables	65.2	-	-	65.2	65.2
Total	**1,162.3**	**1,312.8**	**112.4**	**2,587.5**	**2,441.9**
2018					
Financial liabilities					
Bank debt	513.5	1,185.9	-	1,699.4	1,585.1
Deferred considerations	92.6	7.3	-	99.9	99.9
Derivative financial instruments	0.8	-	-	0.8	0.8
Trade payables	807.0	-	-	807.0	807.0
Amounts payable to subsidiaries	147.0	-	-	147.0	147.0
Other payables	100.4	-	-	100.4	100.4
Total	**1,661.3**	**1,193.2**	**-**	**2,854.5**	**2,740.2**

4.3 Derivative financial instruments

Accounting policies

The Parent has entered into forward exchange contracts to hedge USD exchange risk related to procurement.

Please refer to note 4.4 to the consolidated financial statements for more information regarding hedging instruments and financial risks.

The Parent is granted call options over the ownership interests (not held by the Parent) in certain local subsidiaries. These options are measured at fair value through profit or loss.

Please refer to note 4.4 to the consolidated statements for more information regarding measurement and presentation of call options over the remaining ownership interests in certain subsidiaries.

4.4 Net financials

DKKm	2019	2018
Financial income		
Interest on financial assets measured at amortised cost	0.1	-
Interest from subsidiaries	15.1	10.9
Commission fee from subsidiaries	0.5	0.5
Gains on derivative financial instruments not designated as hedges	4.4	0.8
Reversal of write-down of receivables from subsidiaries	24.0	0.1
Exchange rate adjustments, net	-	-
Other financial income	4.7	0.4
Total	**48.8**	**12.7**
Financial expenses		
Bank charges*	11.1	10.0
Interest on lease liabilities	12.6	-
Interest on financial liabilities measured at amortised cost	78.0	66.6
Losses on derivative financial instruments not designated as hedges	0.4	0.7
Impairment losses on investment in subsidiaries	-	8.7
Write-down of receivables from subsidiaries	178.5	17.6
Exchange rate adjustments, net	2.9	2.1
Total	**283.5**	**105.7**
Net financials	**(234.7)**	**(93.0)**

*Bank charges mainly include letter of credit fees as well as bank commitment fees.

4.5 Liabilities arising from financing activities

The below table shows the changes of liabilities arising from financing activities specified on cash flows and non-cash changes:

DKKm	Liabilities 01.01.	IFRS 16 effect 01.01.	Cash movements financing activities	Cash movements operating activities	Non-cash movements	Liabilities 31.12.
2019						
Financial liabilities						
Bank debt	1,585.1	-	(359.3)	-	8.1	1,233.9
Lease liabilities	-	444.0	(77.0)	-	58.8	425.8
Amounts payable to subsidiaries	147.0	-	34.4	50.1	-	231.5
Total	**1,732.1**	**444.0**	**(401.9)**	**50.1**	**66.9**	**1,891.2**
2018						
Financial liabilities						
Bank debt	1,014.6	-	544.1	-	26.4	1,585.1
Amounts payable to subsidiaries	96.7	-	62.2	(11.9)	-	147.0
Total	**1,111.3**	**-**	**606.3**	**(11.9)**	**26.4**	**1,732.1**

5.1 Assets held for sale

Since the US inventory in Zebra A/S is a part of the envisaged divestment of the US entities, the carrying amount of the inventory of DKK 13.2m has been reclassified to Asset held for sale. Please refer to note 5.1 to the consolidated financial statements for more information.

5.2 Fees to statutory auditor

DKKm	2019	2018
EY		
Statutory audit of financial statements	0.9	0.9
Other assurance engagements	0.4	2.4
Tax advisory services	0.9	1.8
Other services	0.1	6.0
Total	**2.3**	**11.1**

5.3 Related parties

Please refer to note 5.3 to the consolidated financial statements for information on related parties.

Subsidiaries and joint ventures
Please refer to note 5.6 to the consolidated financial statements for a list of subsidiaries.

The Parent has had the following transactions with related parties:

DKKm	Subsidiaries	Joint ventures	Total
2019			
Sale of goods	1,871.3	77.8	1,949.1
Royalties and service fees	3.8	14.2	18.0
Dividends received	169.7	-	169.7
Interests	15.2	-	15.2
Commitment and facility fees on loans	0.5	-	0.5
2018			
Sale of goods	2,112.2	58.2	2,170.4
Royalties and service fees	4.0	12.9	16.9
Dividends received	67.4	-	67.4
Interests	10.9	-	10.9
Commitment and facility fees on loans	0.5	-	0.5

During 2019 the shareholders borrowed Zebra A/S DKK 100.0m, which together with the interest payable of DKK 4.3m was converted to equity with an additional equity contribution of DKK 375.0m. There have been no transactions with the companies owned or otherwise controlled by the shareholders.

Remuneration paid to key management personnel is included in note 2.2. Furthermore, members of the Board of Directors and key management personnel acquired shares in Zebra A/S of DKK 2.9m in 2019 (2018: DKK 2.7m).

Amounts receivable/payable with related parties

DKKm	2019	2018
Current loans:		
Receivables from subsidiaries, non-current	64.0	100.9
Receivables from subsidiaries, current	267.2	332.2
Receivables from joint ventures	5.6	3.8
Payables to subsidiaries	(231.5)	(147.0)
Total	**105.3**	**289.9**

The amounts outstanding are unsecured and will be settled in cash. Please refer to note 3.5 regarding impairment loss on receivables from subsidiaries.

In addition, the Parent has issued letters of support in favour of certain subsidiaries. Please refer to note 5.4 for more information on guarantees.

5.4 Guarantee commitments and contingent liabilities

Litigation
A few legal proceedings are pending which are not estimated to result in significant losses to the Parent, other than what has been provided for in the financial statements.

Other guarantees
The Parent has provided a guarantee to the Japanese joint venture's bank which amounts to a maximum of DKK 88.6m (2018: DKK 85.7m). At 31 December 2019 the guaranteed amount constituted DKK 61.1m (2018 DKK 65.0m).

The Parent has guaranteed or provided guarantees for banking facilities, etc. for subsidiaries amounting to a total of DKK 104.6m (2018: DKK 105.7m).

The Parent has issued letters of support in favour of certain subsidiaries.

Contractual obligation
The Parent is obligated to contribute to the expected damage and salvage costs from a fire on the container carrier Maersk Honam in March 2018. Apsen Insurance UK Ltd has, on behalf of the Parent, provided guarantees to relevant parties (vessel owners, average adjusters, salvage contractors, etc) amounting to a total of DKK 8.5m (2018: 8.5m) in order to release the Parent's cargo on the container carrier Maersk Honam that caught fire in March 2018.

Consequently, the Parent is under contractual obligation to indemnify Aspen Insurance UK Ltd for claims made under their guarantees related to the Maersk Honam matter. The final settlement is expected within three to five years and is not expected to result in a significant cost other than what has been provided for under other provisions.

The contractual obligations related to service contracts amounted to DKK 49.8m (2018: DKK 26.3m). Aside from liabilities recognised in the balance sheet, no significant losses are expected to incur as a result of contractual obligations.

Pledged assets
A letter of indemnity (company charge) of nominal DKK 30.0m (2018: DKK 30.0m) has been deposited by the Parent as security for the Parent's bank debt.

Bank debt is secured by a mortgage of nominal DKK 25.0m deposited by the Parent on assets, including the Parent's goodwill, leasehold rights and furniture (2018: DKK 25.0m).

The carrying amount of pledged assets is stated below:

DKKm	2019	2018
Pledged assets		
Goodwill	11.0	12.5
Leasehold rights, included in right-of-use assets	7.2	8.9
Trademarks	0.6	0.7
Leasehold improvements	26.8	29.7
Other equipment	9.7	10.6
Store furniture	9.6	15.8
Inventories	683.8	825.3
Receivables	275.1	268.9
Total	**1,023.8**	**1,172.4**

5.5 Events after the balance sheet date

Please refer to note 5.5 in the consolidated financial statements.

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Management statement

The Board of Directors and the Executive Management have today discussed and approved the annual report of Zebra A/S for the financial year 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and further disclosure requirements required according to the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019, the results of the Group and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent Company face.

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

Copenhagen, 15 July 2020

Executive Management

Martin Jermiin
CEO

Christian Kofoed H. Jakobsen
CFO

Board of Directors

Vagn Ove Sørensen
Chairman

Jacob Bier
Vice Chairman

Lennart Lajboschitz

Mads Ditlevsen

Anders Misund

Tore Thorstensen

Independent Auditor's report

To the shareholders of Zebra A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Zebra A/S for the financial year 1 January – 31 December 2019, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 our procedures, 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.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent 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 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 the financial statements.

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

· Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

· Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

· Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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.

Copenhagen, 15 July 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
mne 21332

Thomas Bruun Kofoed
State Authorised
Public Accountant
mne 28677

Zebra A/S Strandgade 71–73, DK 1401 Copenhagen K, Denmark
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