

# Annual Report 2020



Coloured pencils.  
36 pcs. **DKK 30**

# 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

---

04	The world of Flying Tiger Copenhagen
06	Message from Executive Management
07	Key figures
09	Mission and strategy
15	Operating and financial review 2020
23	Sustainability
39	Risk management

46	Board of Directors
47	Executive Management
49	Consolidated financial statements
101	Financial statements – Parent Company
127	Management statement
128	Independent Auditors' report

**12** We are online



Conscious stores **34**



**38** Global Retail Operation



One country, one entity **44**

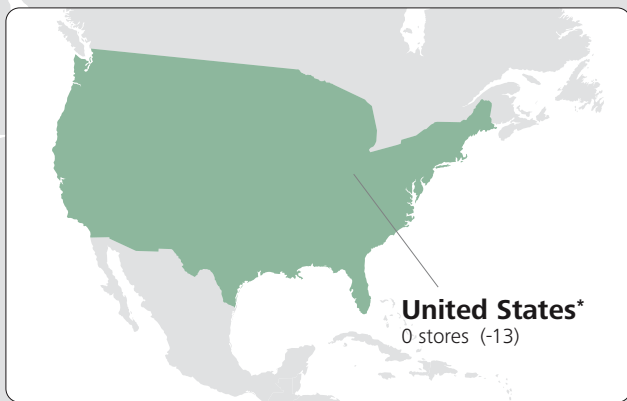


# Flying Numbers\*

Revenue	Approx. number of FTE	Stores	Countries
<b>3,406</b>	<b>4,100</b>	<b>856</b>	<b>26</b>
DKKm		incl. Japanese joint venture	across Europe and Asia

\*Excluding discontinued operations in Germany, US and South Korea.  
 Note: The stores in South Korea are now operated by a franchise partner and therefore not included in the above.





- Our markets 2020
- Our franchise markets
- Total number of stores 2020  
(Net new stores 2020)

**South Korea**  
18 stores (+4)

**Japan**  
31 stores (+2)

# 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 made with thought for our shared resources. All stores are marketed internationally under the Flying Tiger Copenhagen brand name, and by the end of 2020, the Group operated 856 stores in 26 countries from continuing operations across Europe and Asia. Furthermore, 18 stores in South Korea are operated under a franchise agreement.

We constantly work on innovating our product offering and design, and each month, we launch an array of new products. We want to bring you products that can bring you closer to someone else. Our primary shopping missions are within "Gifting", "Occasions", "Sharing Moments" and "Everyday Essentials". We keep our stores bright and easy to navigate with our Scandinavian decor being a differentiating characteristic.

# Message from Executive Management

2019 proved our strong brand and concept with our teams delivering an impressive turn-around.

2020 looked to be the year to continue the journey and build on the consolidation strategy with the launch of ecommerce, strong commercial initiatives and our sustainability journey.

However, 2020 shifted to managing through the COVID-19 pandemic. Throughout the year, our first priority was to secure the safety of our employees around the world. Then came safeguarding our business with new capital from owners and banks as well as through various support and compensation schemes from governments. On the back of the first wave, the focus has been on managing the operations in a volatile pandemic with many waves and associated lock-downs and restrictions – including managing the all important fourth quarter.

In summary, the year 2020 was a terrible year for the world in general and for us as a business. We are however very proud and happy to see

all of our colleagues at Flying Tiger Copenhagen coming together and supporting one another in such challenging times.

In February 2021, the company changed ownership and we are now owned by the privately held Danish fund, Treville X Holding ApS. A change in ownership that we are highly excited about and that is a true testament to our unique and solid brand and a belief in continued growth of the business. As part of the transaction, new funding was injected into the business.

Therefore, at the time of writing this report, optimism is back with indications that the worst of the pandemic is behind us. We are convinced that our strong brand and concept is sustainable and can thrive with all of our colleagues driving us forward. We have demonstrated this in tough times before and we are convinced that we in Flying Tiger Copenhagen will come back strong.

/ Martin Jermiin & Christian Kofoed H. Jakobsen



# Key figures

DKKm	2020 <sup>8</sup>	2019 <sup>8</sup>	2018 <sup>7, 8</sup>	2017 <sup>6, 7, 8</sup>	2016 <sup>6, 7, 8</sup>
<b>Income statement</b>					
Revenue	3,405.7	5,149.5	5,252.2	5,032.3	4,274.0
Gross profit	1,628.4	3,144.9	2,982.5	3,051.6	2,577.8
EBITDA before special items	153.1	1,151.0	137.3	380.0	368.2
<b>Adjusted EBITDA<sup>2</sup></b>	<b>(625.0)</b>	<b>412.4</b>	<b>289.3</b>	<b>460.2</b>	<b>443.2</b>
EBIT	(776.5)	76.1	(210.0)	89.2	186.7
Result from financial items	(375.2)	(93.0)	(326.4)	(63.5)	(57.9)
Adjusted profit/(loss) for the year <sup>1, 3</sup>	(1,171.4)	(15.4)	(35.7)	138.9	167.7
Profit/(loss) for the year from continuing operations	(1,335.8)	(67.9)	(498.3)	4.1	82.1
Profit/(loss) for the year from discontinued operations <sup>8</sup>	(206.5)	(155.7)	(43.1)	-	-
Profit/(loss) for the year	(1,542.3)	(223.6)	(541.4)	4.1	82.1
<b>Financial position at 31 December</b>					
Invested capital <sup>9</sup>	2,264.6	3,496.9	1,213.5	1,160.5	1,116.5
Total assets	3,998.5	5,745.6	3,666.2	2,848.4	2,743.5
Net interest-bearing debt <sup>1, 9</sup>	3,711.8	3,632.4	1,296.9	641.0	493.0
Pro forma adjusted equity <sup>4</sup>	(714.0)	563.7	503.9	819.2	882.3
Equity	(1,458.9)	180.1	21.3	(220.8)	(23.6)
<b>Cash flow and investments</b>					
Investment in property, plant and equipment	(37.2)	(58.2)	(241.2)	(213.9)	(263.4)
Free cash flow	20.6	620.3	(307.0)	(69.8)	(155.0)
<b>Key ratio</b>					
Revenue growth	(33.9)%	(2.0)%	4.4%	17.7%	19.7%
Gross margin <sup>1</sup>	47.8%	61.1%	56.8%	60.6%	60.3%
Adjusted gross margin <sup>2</sup>	47.8%	61.3%	59.7%	62.0%	62.1%
EBITDA margin before special items <sup>1</sup>	4.5%	22.4%	2.6%	7.6%	8.6%
Adjusted profit/(loss) margin <sup>1, 3</sup>	(34.4)%	(0.3)%	(0.7)%	2.8%	3.9%
Profit/(loss) margin	(39.2)%	(1.3)%	(9.5)%	0.1%	1.9%
Comparable store sales growth <sup>1</sup>	(32.6)%	(5.5)%	0.1%	(1.4)%	(4.5)%
Leverage <sup>1</sup>	24.2x	3.2x	9.4x	1.7x	1.3x
Number of stores, including joint ventures	856	895	915	863	745
Adjusted EBITDA margin <sup>2</sup>	(18.4)%	8.0%	5.5%	9.1%	10.4%
<b>Pro forma consolidated financial information<sup>5</sup></b>					
Pro forma revenue	3,489.1	5,244.6	5,345.3	5,126.5	4,415.2
Pro forma adjusted EBITDA <sup>2</sup>	(625.8)	416.0	291.3	463.5	445.2
Pro forma adjusted EBITDA margin	(17.9)%	7.9%	5.4%	9.0%	10.1%

<sup>1</sup> Key figures are defined in 'Definition of key figures and ratios' on page 100.

<sup>2</sup> Adjusted EBITDA, adjusted EBITDA margin and adjusted gross margin excludes extraordinary write-downs (net) and scrapings of DKK 0m recognised in Cost of sales (2019: DKK 12.9m, 2018: DKK 152.0m, 2017: DKK 70.4m and 2016: DKK 75.0m), special items, the impact of IFRS 16 and discontinued operations.

<sup>3</sup> Adjusted profit for the year excludes extraordinary write-downs and scrapings (see footnote 2), special items after tax, fair value adjustment of call options, impact of IFRS 16 and discontinued operations.

<sup>4</sup> The calculation of the pro forma adjusted equity is described in note 4.2.

<sup>5</sup> Pro forma consolidated financial information reflects a proforma proportionate consolidation of the 50% owned Japanese joint venture adjusted for IFRS 16 and discontinued operations.

<sup>6</sup> '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 2016 and 2017 have therefore not been altered.

<sup>7</sup> '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 2016 to 2018 have therefore not been altered.

<sup>8</sup> In 2020 the German, US and Korean entities are classified as discontinued operations (2019: German and US entities). The comparative statements of profit or loss is re-presented from the start of 2019 while the comparative figures in the statement of financial position and cash flow statement are not adjusted.

<sup>9</sup> Invested capital and Net interest-bearing debt adjusted for the impact from IFRS 16 and discontinued operations amounts to DKK 381.6m (2019: DKK 1,133.5m) and DKK 1,675.4m (2019: DKK 1,125.3m) respectively.

Pencil sharpener.  
Bamboo **DKK 30**



# 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 our stores, 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 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.

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, more than 30 years after the opening of our first store, we are a variety retail concept with 856 stores across 26 countries in the continuing operations. We achieved a revenue of DKK 3.4bn, and we have around 4,100 fantastic employees.

## We design our own products

Our product range is developed in our in-house 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 we now 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 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 1,400 products that are relevant across seasons and always available in our stores.

## Sourcing

While the continuous work with product selection, innovation, and development is mainly carried out in-house, 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.



Flowerpot  
DKK 30



Cooler bag. 20x12x30 cm.  
Paper **DKK 50**



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 2020, our logistics centres in Copenhagen (DK), Raunds (UK), Barcelona (ES), Shanghai (CN), Shimizu (JP) and Icheon (KR) shipped more than 350,000,000 pieces to our stores.

## Stores

In 2020, we 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 m<sup>2</sup> of selling space. The stores appear open and light, laid out in a maze, simple to navigate, enabling the customers to seek inspiration and discover the full range of products as they go along, while the lively and 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, and therefore, we prioritise the development and training of our staff, as we believe that this will help us sustain a fun and inspiring customer experience.

## Our Markets

We have a strong presence across Europe and presence in Asia with a franchise setup in South Korea and a joint venture partnership in Japan. In the majority of our markets, we own and operate the business ourselves, i.e. 100% ownership. In other markets, the operation is structured through a joint venture partnership. In the future, we will apply the franchise model when entering new markets.

Today, Zebra fully owns the entities in Denmark, Sweden, Norway, Finland, Iceland, Baltics, United Kingdom, Ireland, the Netherlands, Poland, Italy, France, Germany as well as a large part of Spain including areas around Barcelona, Madrid, Mallorca and Valencia.

As part of our consolidation strategy, we have increased the share of our fully owned entities, which enables us to increase the scale benefits of our organisation. Reaping these scale benefits will continue in the years to come, and over time, we strive to consolidate the markets, which are currently not fully owned.

## Corporate backbone

Our rapid growth over the past decades is supported by a flexible and scalable supply chain model, investments in 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 functions and partners' operational and financial performance, aiming to proactively take advantage of opportunities as well as address potential challenges in our markets, including the pandemic we experienced in 2020.

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 partnership 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.

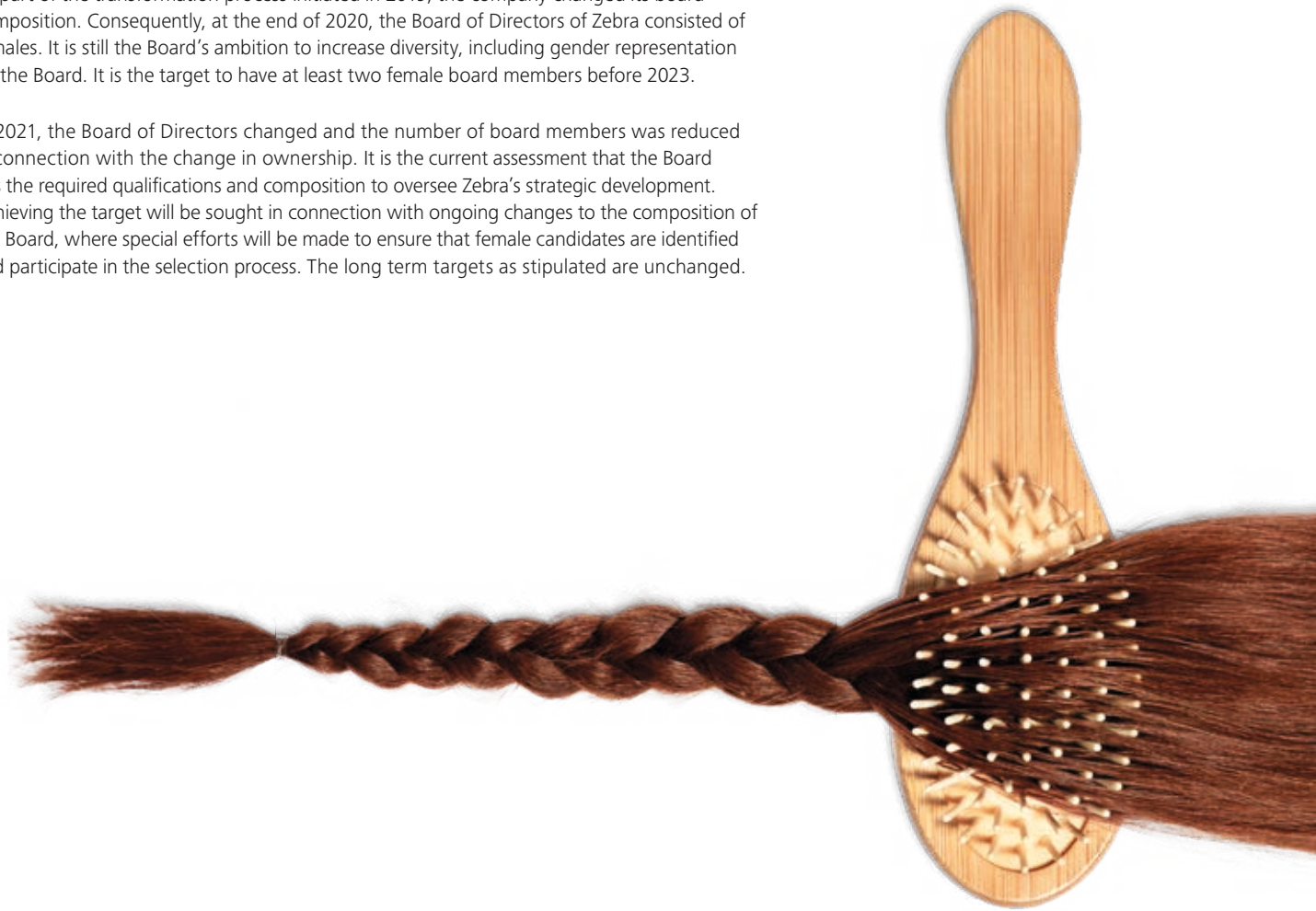
## Diversity

Zebra aims to offer equal opportunities to men and women across the 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 56% male and 44% female members. Zebra defines leadership positions as district leaders, country managers, partners as well as managers at headquarter. Relevant professional qualifications remain the key selection criteria for all positions in the organisation, and the Management will continue to focus on diversity and to evaluate the need for initiatives within this area.

As part of the transformation process initiated in 2019, the company changed its board composition. Consequently, at the end of 2020, 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.

In 2021, the Board of Directors changed and the number of board members was reduced in connection with the change in ownership. It is the current assessment that the Board has the required qualifications and composition to oversee Zebra's strategic development. Achieving 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. The long term targets as stipulated are unchanged.

Hairbrush.  
Bamboo **DKK 30**



# We are online

In January 2020, Flying Tiger Copenhagen launched its first online store in Denmark followed by the opening of the Swedish online store in May 2020. Both online launches exceed expectations both from a sales and customer engagement point of view.

During 2020, and in the light of COVID-19, the online stores have played a vital role in giving the Danish and Swedish customers the opportunity to purchase Flying Tiger Copenhagen products through our webshop.

Based on the learnings from the Swedish and Danish stores, further online initiatives were launched during the fourth quarter. In October, a new local delivery solution was introduced giving our Italian and Spanish customers in key cities the opportunity to have their shopping

delivered within 60 minutes by a local courier company. In December, Belgian customers were offered an online booking solution where they could book a shopping appointment for their Christmas shopping in their local Flying Tiger Copenhagen store.

All of these initiatives and more, have laid the foundation for the future online developments, which will accelerate during 2021 with a pan-European ecommerce roll-out giving Flying Tiger Copenhagen fans across Europe even more opportunities to shop with us. We are certain that this will add to the shopping experience we offer our customers and we are very excited about this next step in our continued development of the business.

*“We want to be where our customers are. Our online store is a comprehensive and carefully prepared initiative that has exceeded all our expectations in Denmark and Sweden” says Martin Jermiin, CEO.*







Assorted sunglasses  
From DKK 30





# Operating and financial review 2020

In 2020, the Group realised earnings before interest, tax, amortisation, depreciation and impairment losses and special items (EBITDA before special items) of DKK 153m from the continuing operations compared to DKK 1,151m in 2019 as a consequence of the COVID-19 pandemic. Additionally, revenue in 2020 was DKK 3,406m, which was 34% lower than in 2019 as a result of close-downs in several markets due to the COVID-19 pandemic. Loss for the year from continuing operations amounted in 2020 to DKK -1,336m.

The Executive Management and the Board of Directors consider the operational and financial performance of 2020 not to be satisfactory. The Group is highly dependent on physical stores, and the significant negative impacts from the pandemic were reflected with a substantial revenue decline of DKK 1,744m and consequently effect on net loss, which was not possible to mitigate.

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. However, with the COVID-19 pandemic it was not possible to find a satisfying solution for the US entities and therefore it was decided to close all activities in the US. The Group is still negotiating with potential buyers for the German business in the form of a franchise solution. In July 2020, the Korean company Flying Tiger Korea Chusik Hoesa was sold to the Korean partner who owned 50%, and a franchise agreement was signed. Therefore, the Korean, the German and the US business are presented as discontinued operations in the consolidated annual accounts for 2020 including a restatement of the income statement for 2019 concerning the Korean business.

Throughout the year, the Group made significant progress on the initiatives that were launched as part of the transformation plan in beginning of 2019. However, the transformation plan had to be aligned with more pandemic related initiatives to ensure that the Group managed well during the different lock-downs and traffic reduced impacts.

These initiatives comprised a stronger store portfolio with the closing of non-profitable stores, store rent re-negotiations and store relocations. HQ costs were reduced and optimised during 2020, and where possible, different pandemic compensation schemes were obtained. Another area of focus was a continuation of the inventory clearance that was initiated in 2019, but also again to ensure that products were sold in order to avoid excess obsolete inventory on the back of the pandemic.

In the beginning of 2020, we successfully launched our new ecommerce platform in the Danish market 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. This created the platform for a further development of our ecommerce offering, which has been further developed during 2020 and is ready for a larger European roll-out in mid 2021.

## Top markets in 2020

	Revenue (DKKm)	Growth (%)	Net new stores
Italy	692	(37)%	0
Spain	492	(23)%	(1)
UK	364	(46)%	(6)
Denmark	322	(30)%	(20)
Sweden	205	(19)%	(4)
Subtotal	2,075	(34)%	(31)
<b>Total</b>	<b>3,406</b>	<b>(34)%</b>	<b>(39)*</b>

\*Including Japanese joint venture



Smoothie with mango and banana **DKK 10**

## EBITDA

DKKm	2020	2019
EBITDA before special items	153	1,151
Impact from IFRS 16	(778)	(752)
Extraordinary writedowns	0	13
<b>Adjusted EBITDA</b>	<b>(625)</b>	<b>412</b>
Adjusted EBITDA margin	(18.4)%	8.0%

## Revenue Development

Total revenue from continuing operations in 2020 was DKK 3,406m, corresponding to a decrease of DKK 1,744m compared to 2019. The decrease was driven by temporary lock-downs in most of the markets due to COVID-19 restrictions.

In 2020, we closed net 41 stores (net 39 stores including the Japanese joint venture) reflecting 54 stores closures and 13 openings (4 stores were opened in our Japanese joint venture and 2 stores were closed) and 10 stores were relocated as part of the ongoing optimisation of our store footprint.

Our five largest markets represented 61% of total revenue of which Italy was the largest market followed by Spain, the United Kingdom, Denmark and Sweden.

By the end of 2020, we operated 856 stores in our continuing operation across 26 countries (including our Japanese joint venture). Although we have put the rapid store expansion on hold while we execute the transformation plan, we still see the potential for further store expansion as significant. The future growth will come from our ecommerce platform and new store openings in existing markets at a controlled pace. For new markets, we will apply a more standardised franchise solution, which is scalable and will be entered into with regional or global franchise players.

## Development in Earnings

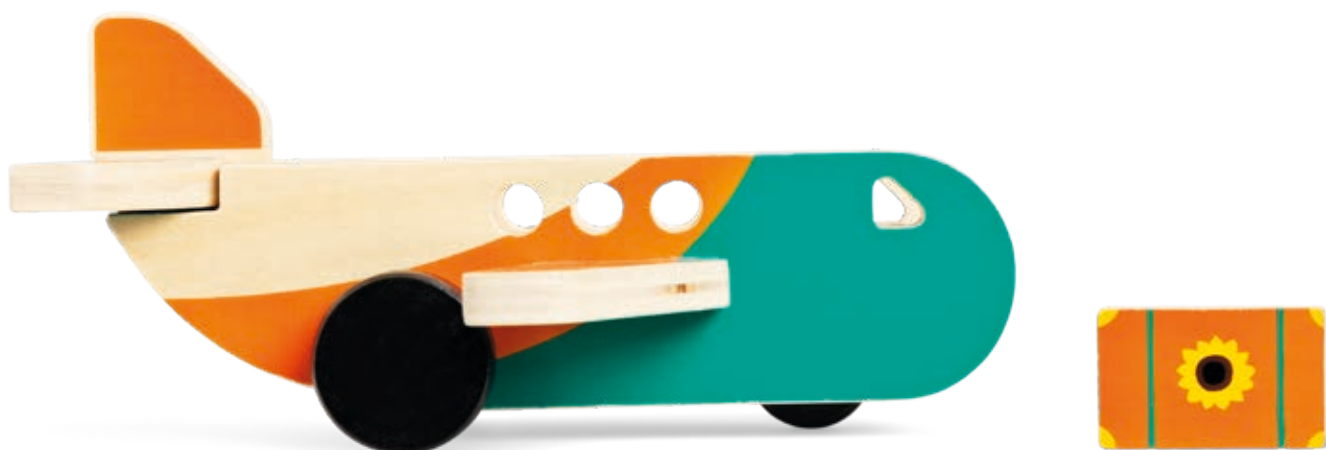
In 2020, the gross margin decreased from 61.1% in 2019 to 47.8% in 2020, mainly driven by stock clearance to drive sales during the periods where markets were not in lock-downs.

Operating costs (staff costs and other external expenses) excluding COVID-19 government compensations were DKK 1,605m in 2020 compared to DKK 1,998m in 2019, representing 47.1% of revenue in 2020 compared to 38.8% in 2019. The proportionate increase was a consequence of the significant revenue decline, which was not possible to absorb to the same extent by calibrating operating costs.

EBITDA before special items amounted to DKK 153m from the continuing operations compared to DKK 1,151m in 2019, which was a decrease of DKK 998m.

Loss for the year from continuing operations amounted to DKK -1,336m compared to DKK -68m in 2019, primarily driven by the revenue decline.

Special items in 2020 were mainly expenses related to executing the transformation plan.





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

Net Working Capital (NWC) decreased in absolute terms from DKK 93m in 2019 to DKK -164m in 2020. The decrease was mainly a result of the reduction of inventory due to reduced purchases as part of product cost recovery initiatives to mitigate the negative impact from COVID-19. Further, the impact from launched initiatives from the transformation plan in relation to inventory clearance also reduced inventory.

Cash flow from investing activities was DKK -61m, which was DKK -29m lower compared to 2019, mainly due to fewer store openings as consequence of the focus on optimising the existing store portfolio, as well as minimising investment activities during the pandemic in order to preserve and optimise liquidity.

Free cash flow was negatively impacted by the operating loss before special items and was DKK 21m compared to DKK 620m in 2019. The negative impact was partly offset by the positive change in working capital due to decreased inventory levels as part of the liquidity optimising initiatives. Net interest-bearing debt was DKK 3,712m at the end of 2020, compared to DKK 3,632m in 2019. This includes an increase in bank debt as a new loan facility of DKK 500m was obtained. The impact from the increase in bank debt on Net interest-bearing debt is offset by a decrease in lease liabilities, which are recognised on the balance sheet as per IFRS 16.

## 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 to 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 financial statements and provisions have been made for the acquisition of the non-controlling interests. The provision is measured as the estimated total amounts owed to the partners upon partners' exercise of the put 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 with reference to contractually defined EBITDA multiples. The calculation of the provisions under IFRS for the put options is based on the general assumption that all of the partners exercise their put options at year-end 2020 with the agreed notice period of 12 months.

Wooden airplane  
with luggage and crew  
DKK 70



Assorted sweets.  
From DKK 10



The decrease in the provisions for the acquisition of non-controlling interests (non-current and current in total) from DKK 249m in 2019 to DKK 172m in 2020 is due to the Group having acquired several partnerships in 2020. By the end of 2020, the Group had acquired partnerships for accumulated DKK 855m.

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 2020, the fair value of the call options was DKK 282m and the fair value adjustment included in the income statement was DKK -177m.

## Equity

DKKm	2020	2019	2018	2017	2016
<b>Pro forma adjusted equity</b>	<b>(714)</b>	<b>564</b>	<b>504</b>	<b>819</b>	<b>882</b>
Provision for non-controlling interests	(172)	(249)	(246)	(353)	(490)
Acquired non-controlling interests (accumulated impact)	(855)	(690)	(687)	(687)	(416)
Fair value of call options	282	555	450	0	0
<b>Reported equity under IFRS</b>	<b>(1,459)</b>	<b>180</b>	<b>21</b>	<b>(221)</b>	<b>(24)</b>

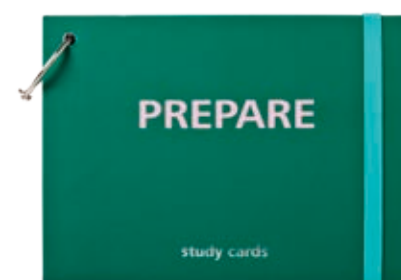
Adjusted for the accumulated impact of acquired non-controlling interests as well as provisions for existing partnership agreements and the fair value of the call options, the pro forma adjusted equity was DKK -714m by the end of 2020, which was DKK 1,278m lower than in 2019. The decrease mainly relates to the loss from continuing operations of DKK 1,336m as well as the loss from discontinued operations of DKK 207m, but partly offset by the share capital increase of DKK 149m.

## Negative reported Equity/financial position for the Group and the Parent Company

The reported equity has turned negative at the end of 2020 with DKK 1,459m for the Group and DKK 770m for the Parent Company and thus the registered share capital has been fully lost. This is assessed predominantly to be a consequence of the pandemic and the consequential significant revenue decline resulting in a significant reported loss for 2020 of DKK -1,542m for the Group and DKK -1,650m for the Parent Company.

On 10th of February 2021, a change in ownership of Zebra A/S materialised, which involved a capital injection of DKK 170m and simultaneously new and increased credit facilities provided by the Group's core banks. This was established in order to support the continuation of the transformation plan and also to ensure that the Group has sufficient funding during the pandemic and the foreseeable future in general. In addition to this, the maturity of the existing credit facilities was extended to April 2023 and the Company obtained access to certain committed additional capital and funding should the need for additional liquidity become evident. In addition to this, the financial covenants were changed and for 2021 only a liquidity covenant and investment limitations will apply to support the future initiatives.

The Executive Management and the Board of Directors have carefully assessed the current financial situation for the Parent Company and the Group, including the ongoing transformation plan for the Group, the forecasted trading, results and cash flows, uncertainties and available funding.



Flash cards DKK 20





20 yoga cards DKK 30



The signs of the ending of the pandemic combined with the comprehensive vaccine roll-out provides comfort for a more normalised trading during the summer 2021. This has already partly emerged for the markets, which are fully open in May 2021 and where the performance of these markets is showing a recovery in the demand for the Group's concept.

As part of our transformation plan with strengthening the current operations, we have also launched a number of new initiatives including ecommerce where a larger roll-out is planned for in June 2021 as well as new franchise solutions planned for roll-out in 2022, in which new franchise agreements have been signed.

These initiatives provide the Executive Management and the Board of Directors with a platform to forecast for future profitable growth that will contribute to restoring the share capital and reported equity over the coming years.

The Executive Management is anticipating a negative, but manageable, result for the Parent Company and the Group in 2021, but expect, at year-end 2021 to have a run rate that will result in a positive result for 2022, although recovery of the registered share capital will take more years. Cash flows from operating activities are, however, expected to be positive from 2022.

The key assumptions underlying our expectations for 2021 and onwards anticipate a gradual recovery to pre-pandemic trading during second half of 2021, where particularly Q4 2021 is important due to the seasonality of the trading of the Group. For financing costs, these are assumed to be stable at the current level, and we also assume a continued controlled development in working capital.

Overall, we expect to have sufficient liquidity, and available funding to manage the gradual re-opening of our stores as well as the phasing out of all governmental support schemes during 2021 and with a buffer to manage reasonable negative scenarios currently envisaged by us. In a less likely scenario where the pandemic returns at full strength in Q4 2021 like in Q4 2020, we would expect to manage but would need to reconsider our plans and funding scenarios and a combination of internal measures of cost and working capital discipline, governmental support schemes and other measures would be relevant.

As the available funding (liquidity position and available financing including available commitments) is assessed to be adequate under the currently anticipated reasonable scenarios for recovery after the expected ending of the pandemic in 2021, Management assesses that there is sufficient basis for continuing our transformation and further development of the Group and thereby, over time, re-establish the equity. Please also refer to note 1.3 Going concern.

## 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 or losses from the joint venture are recognised as a single line item in the income statement and the investment is measured using the equity method.

Revenue decreased by 19% in reporting currency from DKK 282m in 2019 to DKK 229m in 2020. In local currency, revenue decreased by 18% to JPY 3,772m. At the end of 2020, the joint venture operated 31 stores.

EBITDA in the Japanese joint venture decreased from DKK 64m in 2019 to DKK 53m in 2020 (including royalty and service fee payments to Zebra in 2020 and 2019 of DKK 11m and DKK 14m, respectively).

We still consider the Japanese market attractive and together with our partner, we continue to improve the business based on a turnaround plan, which includes a shift from larger stores towards more standardised store sizes in line with our European stores,

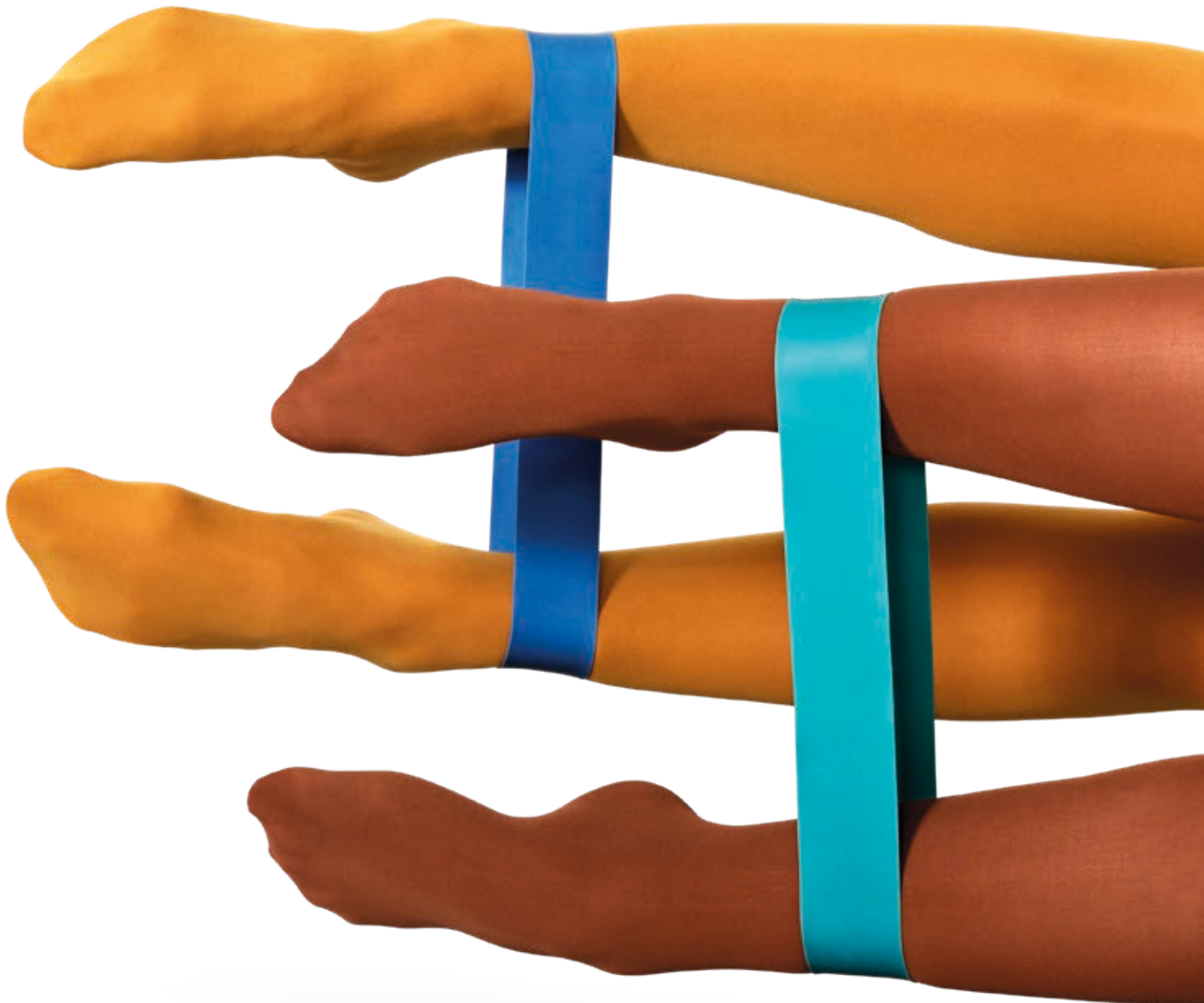


new assortment introductions, as well as various store efficiency initiatives. There is good progress on this plan, which we gradually experienced during 2020 and further in 2021. However Japan was, just like the rest of the world, significantly impacted by close-downs due to the pandemic during 2020.

## Parent company

In 2020, the Parent realised revenue of DKK 1,355m compared to DKK 2,428m in 2019 mainly due to lower sales to our subsidiaries. EBITDA before special items in 2020 was DKK -830m compared to DKK 178m in 2019 due to the large decrease in revenue. Loss for the year amounted to DKK -1,650m.

Exercise band. 5x30 cm.  
Assorted colours **DKK 30**



Using a product as many times as possible is a great way to reduce the environmental impact.  
Reusable wrapping paper. 70x72 cm  
**DKK 30**





# Sustainability




## Our commitment

At Flying Tiger Copenhagen, we know that we depend on the environment we operate in, and our commitment to conduct our business ethically and responsibly runs through the full value chain, from sourcing, to shipping, to sales in stores. We want our customers to know that when they buy a product from Flying Tiger Copenhagen, it has been produced in alignment with ethical, environmental and social standards and is safe to use. This is crucial for the success of our company and for our consumers.

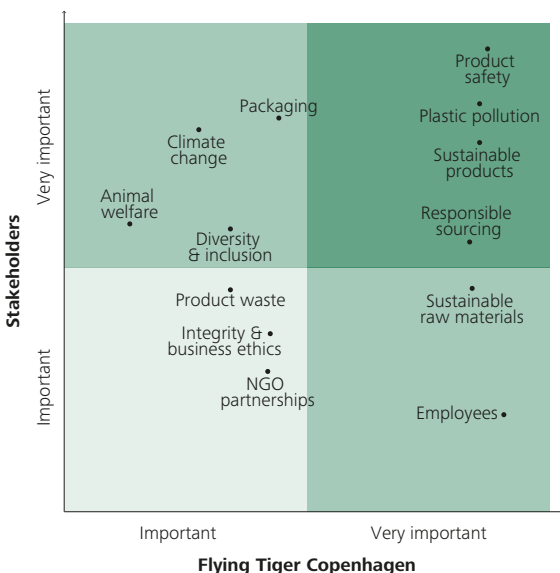
In 2020, we have taken great strides in our efforts within sustainability. Targets have been further defined, implemented and expanded. Data processes have been defined and aligned with the organisational possibilities and most importantly: sustainable thinking has become a natural part of working.

## 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:

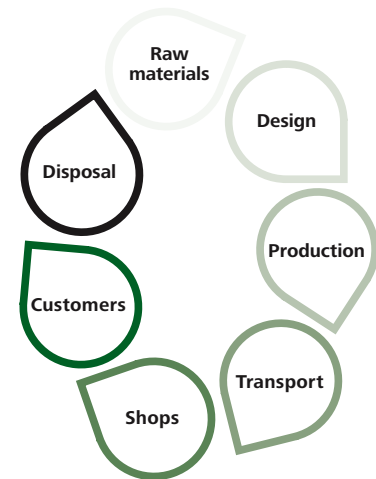
 <b>Products</b>	 <b>Operations</b>	 <b>People</b>
<p>We want to offer our customers fun, surprising and creative eco-friendly choices. To achieve this, we are making sustainability an integral part of how we design and source our products.</p> <p>We focus on circular materials, design, packaging and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

## Risk assessment



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.

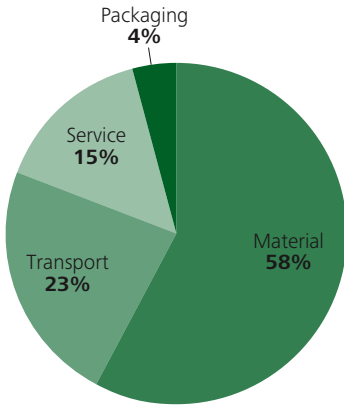
## Value chain impact



- Raw materials**  
**Risks:** Extraction and farming processes.  
**Targets:** 100% sustainable forestry 2022. 100% certified palm oil 2022. 50% reduction of plastic products 2025. 50% recycled plastics 2025. 100% BCI certified cotton 2023.
- Design**  
**Risks:** Material use.  
**Targets:** 20% reduction of plastic packaging materials 2022. 50% reduction of single use products 2025.
- Production**  
**Risks:** Labour conditions, health and safety, environment.  
**Targets:** 100% products sourced from A/B rated suppliers 2025. 1000+ homeworkers positively influenced by our ethically handcrafted community project 2022.
- Transport**  
**Risks:** Labour conditions, health and safety, environment.  
**Guidelines:** Primarily use shipping for transport. Minimise 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 2022.

## Emissions

Scope 3 Emission share, %



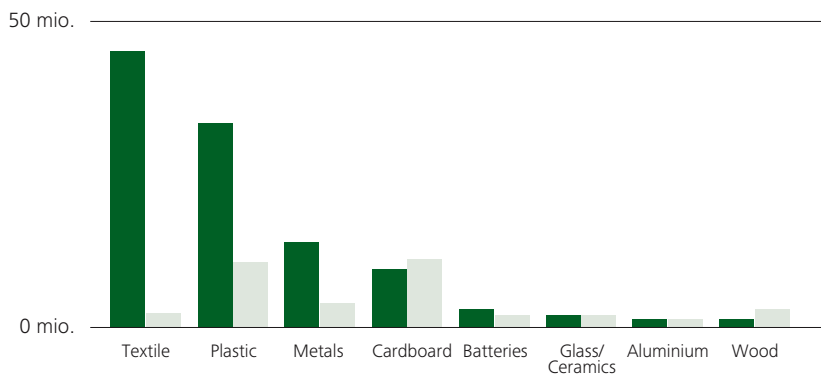
	Emissions in M kg CO2 -eq for 2019	Emissions in M kg CO2 -eq for 2020	Includes	Main drivers
<b>Scope 3</b>	191/95%	167/97%	All other indirect emissions that occur in the value chain of the company.	Material, transport, services & packaging
<b>Scope 2</b>	9/4%	5/3%	Indirect emissions from the generation of purchased energy.	Stores, Warehouse
<b>Scope 1</b>	>3 T/>1%	>2 T/>1%	Direct emissions from owned or controlled sources.	Leased company cars

As a global 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 negative impact. A significant part of our impact comes from our products. Consequently, our Supplier Code of Conduct further specifies our requirements for the environmental awareness and conduct of our suppliers.

In early 2020, we calculated our scope 1, 2 and 3 emissions for the first time. These new insights provided both a confirmation of our established sustainability strategy and targets already in place, as well as guidance for further investigations and target settings. Our use of textiles, which in tons are not a large part of our product offering, proved to have a significant emission impact. This prompted additional textile targets; greater use of textiles from renewable materials, as well as a much stronger focus on BCI (Better Cotton Initiative) certified cotton and the use of recycled polyester.

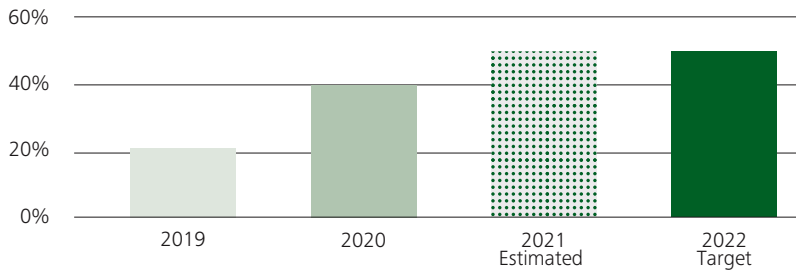
### Weight and emissions by materials

■ Emissions (kg CO2-eg) ■ Weight (kg)



Our efforts to lower emissions are focused where Flying Tiger Copenhagen 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, using more renewable energy in our own operations and minimising food and other product waste via donations.

### Renewable energy in own operations, %



## Logistics sustainable roadmap

Our logistic footprint includes freight of goods (sea-freight from China to ports, and road freight from ports to warehouse and to stores), warehouses, and secondary and tertiary packaging. Our focus is currently on freight and warehouses, where we are investigating possibilities for sustainable requirements towards our partners, and for a more detailed sustainable roadmap for logistics. Our warehouse in Greve/Denmark switched to 100% renewable energy during 2020.

## Sustainable products

We want to offer our customers useful, fun and inspiring products at affordable prices. We also want our products to be safe for both humans and the planet, and therefore, we take significant measures to ensure that all items are produced under humane and responsible conditions in respect of international social, environmental and ethical standards.

## Eco-friendly products

It is important for Flying Tiger Copenhagen, to be able to offer eco-friendly products in our stores. We classify eco-friendly products as:

- 100% FSC-certified
- Made from recycled material (min. 80%)
- Made from renewable material (min. 95%)
- Made from easily recyclable materials (glass, aluminum, steel or iron products with content  $\geq 95\%$ )

We see the number of these products rising, and are in the process of setting an ambitious target for the percentage of this type of product in our stores.

### In-depth knowledge

We know a lot about each of our products. Take this relatively simple stainless-steel bottle as an example. Before hitting the shelves in one of our stores, we have considered the following:

- As a lightweight, durable product, which can travel with the consumer and replace the use of single use water bottles, this bottle enables the customer to lead an eco-friendlier life. The price point (DKK 60 vs DKK 200 at other retailers) also makes it an accessible and affordable choice for most people.
- When the bottle, after a hopefully long lifetime, is ready to be discarded – the materials are highly recyclable; the silicone ring can be removed and recycled separately and the stainless-steel body plus stainless steel/bamboo lid can be remelted/burned away into metals. To ensure safety and compliance, the item has been tested for chemical contents, functionality, durability, leakage, quality of materials and food contact safety.



Stainless steel is a sweet deal. It's a fully recyclable and highly durable material. Drinking bottle. Stainless steel **DKK 50**

# We play it safe

Did you know that all our toys are tested? We want to inspire children to explore the world and to have fun. At the same time, we want you to know that our toys are safe for children to play with. Did we mention that the majority of our wooden toys are made from sustainable managed forestry?



Doll's house  
DKK 100



- All our products have a BOM (bill of material) showing the exact material composition. For the bottle, which has item no. 3019921, it looks like this:

Part no	Component	Material	CAS number	% in total product
1	Bottle	Stainless steel	12597-68-1	66,3%
2	Lid	Stainless steel	12597-68-1	26,7%
3	Lid	Bamboo	91771-33-4	6,3%
4	Silicone ring	Silicone	63394-02-5	0,7%

- The factory producing the bottle has been inspected to ensure decent working conditions and correct handling of product quality (consistent quality, no scratches on metal, consistent colour of bamboo) including efficient packaging from factory to stores.
- Packaging/labelling has been carefully considered to ensure the correct (often legislative) information, while minimising the amount of packaging. The result being a foldable paper sticker glued to the bottom of the bottle.

## Safety

All products go through our product compliance process to ensure that they are safe and compliant. This means that all materials must be approved prior to purchase. Our test programme ensures that our products are tested for hazardous materials. With very few exceptions, all our products are tested in the pre-production phase. For 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 product compliance requirements leading to safer products. This is done through close cooperation with our suppliers, helping them to understand and implement our restrictions.

## Quality

Flying Tiger Copenhagen's quality programme aims to constantly improve the quality of our products through physical inspections. 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 shipment times from Asia to Europe. The selection of the products subject to quality checks and description of the quality check points are selected at the headquarters in Denmark, while the inspections and handling are performed by a local team of quality inspectors and in the local language. The strong quality focus also creates a higher awareness among our suppliers, leading to a continuously higher quality level for all products.

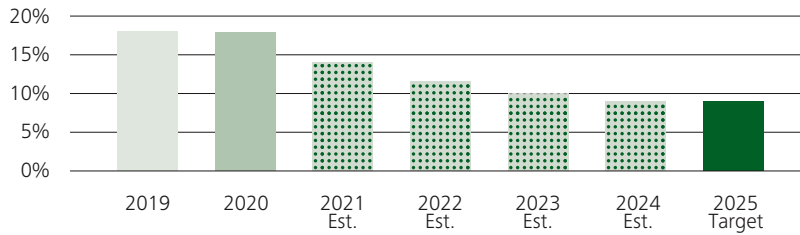
## Single-use products

Single-use products are products, which are thrown out after only one use. The environmental impact can be very high considering the short lifespan, which is why we want to halve our number of single use products by 2025. The single-use items, which we have decided to keep for now are either low impact and/or have no natural replacements; like paper napkins (made from sustainable forestry) and bandaid-plasters (no natural replacement). Another consequence of this focus area is that we will have no single-use paper straws or snack bags from 2022.



Herb can DKK 30

### Single-use products, %

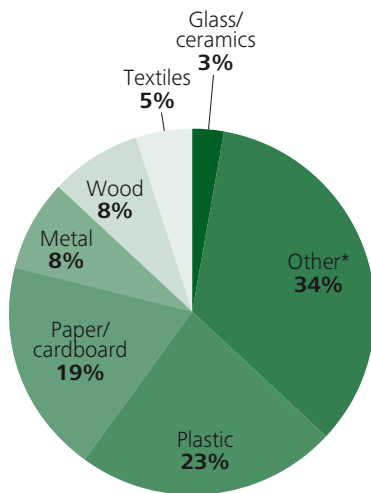


### Materials

In 2020, our most used product material was plastic, quickly followed by wood and metals. Our strategy for materials is to use more renewable (like wood, paper, bamboo and straw) and easily recyclable (like metal and glass) materials and less plastics. Plastic is a versatile material: It is light-weight, durable and can be used for many different things. However, we want to be clever about how we use it; reducing the amount we use and using a lot more recycled plastic – thereby supporting the overall global reduction and more recycling of plastics.

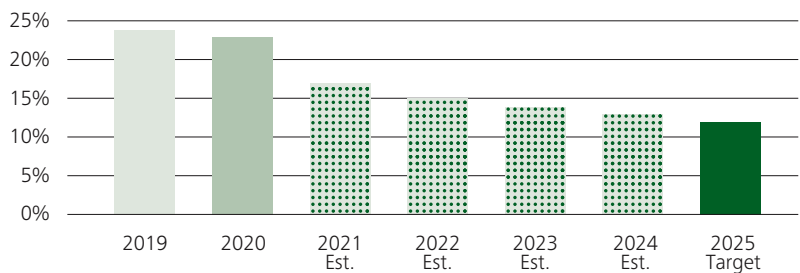
We want to help customers with their recycling of our products by embedding the recycling category into all our plastic products.

### Product material share, %

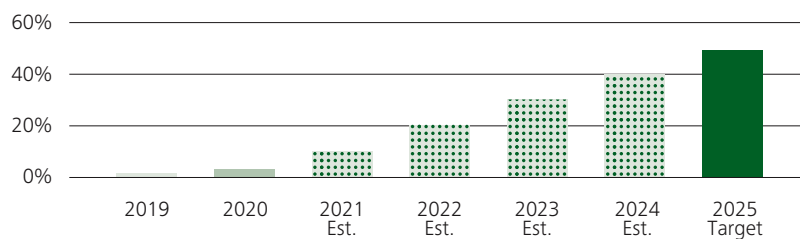


\*Other covers categories like paraffin, pigments, alchogel, soap, glue and uncategorised materials.

### Reduction of plastic in products, %



### Recycled plastics in products, %



Our plastic targets supports the transition to a circular economy. We want to heavily reduce our use of plastics, but will continue to use it when it is the right material for a particular product. At the same time focusing much more on buying recycled plastics, in order to support the global system of plastic recycling.

## Zero deforestation

### Sustainable forestry

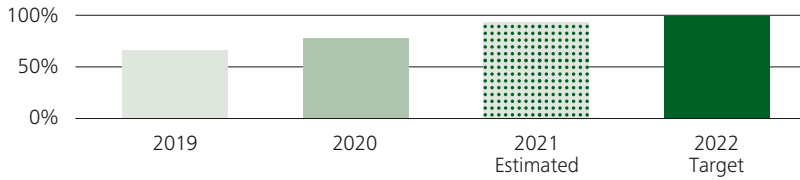
With our membership and certification of the Forest Stewardship Council (FSC), we support the promotion of forests managed with consideration for people, wildlife and the environment. Among other things, an FSC certification entails protection of biodiversity, and respect for the rights of local people 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 were an early part of our FSC-certified product portfolio, and our customers continuously find more FSC-certified wood and paper products in our stores, since it is our ambition to exclusively sell wood and paper products from sustainable forestry in 2022. When it comes to store furniture, we began to use



FSC-certified wood in 2012. Since then, all new store furniture is FSC-certified, while the existing stores switch to FSC-certified furniture according to their usual refurbishing cycle.

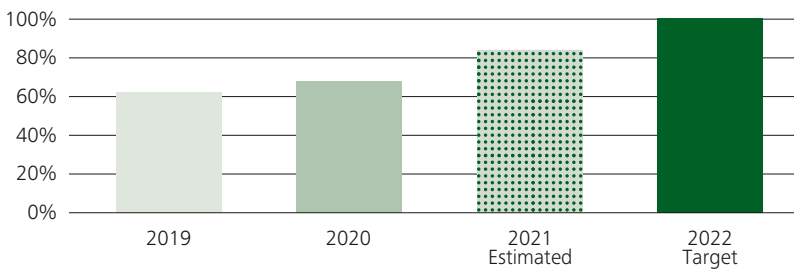
**FSC certified paper and wood products, %**



**Sustainable palm oil**

Palm oil is a highly versatile oil used for a large number of products in primarily food and beauty on a global scale. Palm oil has also been, and continues to be, a driver for deforestation. Therefore, we want to only use palm oil in a responsible manner. Since 2019, we have worked to use less palm oil in our products and to only use sustainably certified palm oil. We are on track towards our goal of 100% certified palm oil in 2022.

**Sustainable palm oil, %**



**Sustainable packaging**

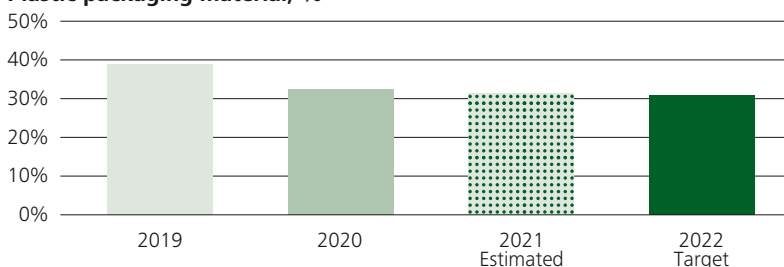
When it comes to great packaging, less is more. Packaging is one of the biggest waste categories worldwide, and we, as a company, strive to find the right balance between minimising the packaging, and using better packaging design and materials, while still protecting the products and communicating necessary information to our customers.

In 2020, we have developed a new primary packaging manual defining both brand and sustainability guidelines around the principles of clear communication, minimal packaging and optimal recyclability.

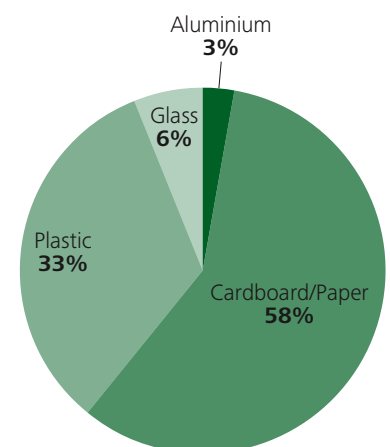
**Minimise packaging**

Minimal packaging ensures less waste and more efficient logistics. We have an overall focus on using as little packaging as possible and a strategic focus on removing plastic when possible. Our target to reduce the use of plastic packaging by 20% in 2022 is on track, and we might set an even more ambitious target in the future. Our focus on plastic reduction means that we sometimes use more cardboard, which is heavier overall, thereby growing our logistic emissions. We realise that this might be a negative consequence, but still believe that plastic reductions are the right way forward.

**Plastic packaging material, %**



**Packaging material used, %**



# Goodbye bottle, hello bag!

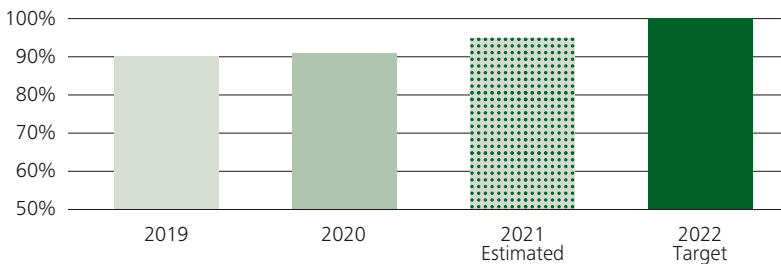
Our new eco-friendly bag is made  
from discarded plastic bottles and is  
100% recyclable.



## Maximise recyclability

We want to make it as easy as possible for our customers to recycle packaging, and we have a target to have 100% recyclable packaging in 2022. When packaging materials are monocomponents or easily separated into waste categories, more packaging is ultimately recycled.

### Recyclable packaging, %



To support our reduction and recyclability targets, we will, for examples, prioritise using stickers and hangtags (paper), drastically minimise our use of blister packaging, and ban the use of expanded polystyrene and PVC.

## Pens

One tangible example of working with our packaging principles is the casing for many of our pens. The old version was a plastic box and tray, with an insert in cardboard. Transporting extra air, because of the tray, and two types of material. The new version is made solely in cardboard – which is fully recyclable and still more lightweight than the previous packaging which means less carbon emissions. Selling millions of these pens annually make changes like this impactful; in 2020, this new pen casing alone resulted in 1.2 tons less plastic packaging.

## Responsible sourcing

In 2020, we purchased products from around 330 suppliers worldwide. Approximately 76.9% of our spend comes from suppliers based in China; 21.7% from suppliers based in the EU, and the remaining 1.4% come from suppliers spread across the world, in countries like India, Nepal, Taiwan etc. 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. Our sourcing pattern was heavily influenced by COVID-19 in 2020, resulting in constant, rapid changes in our order flow.

Our focus on responsible sourcing ensures that we account for the impacts of human and labour rights on workers and communities. 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.

The responsible sourcing process follows three steps:

## 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 other year in writing.

### Old packaging → New packaging



Gel ink pens  
DKK 10

# Cheers to a more sustainable sip

Not to create a stir, but we love our broad selection of reusable straws. We have four different kinds: silicone, bamboo, glass and stainless steel. Clean them with a brush and use them again and again.



Bamboo straws  
with cleaning brush.  
5 pcs. **DKK 20**



## 2. Risk assessment and factory audits.

Factories are selected for audit by assessing the risk based on (a) country of production, (b) purchase volume and (c) product category combined with individual assessment of: (a) brand exposure of product; and (b) 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 specialising in social compliance factory audits. All audits follow the Flying Tiger Copenhagen Audit protocol that consists of 115 questions and assesses 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 stop the collaboration permanently.

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 stipends throughout the remediation period. In 2020, we had zero child labour cases.

In 2020, we conducted 121 audits in our factories in China. In normal years, we conduct around 300, but due to COVID-19, travel restrictions and social distancing, the number of audits in Q1 – Q3 was heavily reduced. In Q4, we were almost back to normal. The most common issues to improve were ensuring a safe and healthy working environment and reducing overtime. Our target for 2021, is to return to our usual number of audits of around 300, and to pursue greater transparency through intensified pre-screening and further capacity building of our suppliers.

## 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.

In 2020, we continued to establish a closer engagement with our suppliers. The inability to arrange larger physical conferences or training sessions due to social distancing spurred the creation and implementation of a Supplier Academy. The Academy now runs frequent sessions on relevant topics within sustainability, compliance and quality, allowing us to provide training related to more topics and to a broader audience.



Sketch pad. A4.  
Recycled paper **DKK 30**





# Conscious stores



ying tiger  
copenhagen

Water based paints

LED lights – low on emissions and heat, which also means less aircon

39% of energy used in store comes from renewable sources

Coming: Marketing material made from 100% sustainable forestry

+5 year refurbishing cycle for furnitures

Recyclable cabinets and fixtures: wood and metal (steel and aluminium)

SHOPPING baskets: HDPE recyclable plastic

Receipts printed on paper from sustainable forestry (FSC)

Cabinets and boxes made out of wood from sustainable forestry (FSC)

Product wrapping paper from sustainable forestry (FSC)

Shopping bags made from primarily recycled and 100% recyclable plastic

Furniture and boxes made in pallets sizes for optimal transportation



## Homeworkers

Recognising that each year we buy several products that are handmade by homeworkers and the fact that we know very little about the working conditions that far down our value stream, we have a target to have a positive influence in the homemaker societies, which we source from. In the beginning of 2020, we planned to do a pilot in one of these communities, gathering data and knowledge in partnership with the homemaker focused NGO, Nest. This initial project was unfortunately delayed due to COVID-19, and we now expect it to take place during H1 2021. The insights gathered in this pilot will guide us in reaching our target of 1,000 homeworkers positively affected. However, we do not expect to reach the target within the original timeframe.

## Partnerships

### Plastic Change

Since H2 2019, Flying Tiger Copenhagen has 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 contributes 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 have been 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 their 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.

### Nest

Nest is an NGO supporting the development of homeworkers working conditions. We partnered up with them in 2020, wanting to gain more knowledge about the homeworkers in our supply chain.

### WeFood

We have donated food products that approach their expiry date to WeFood, a Danish supermarket only selling obsolete goods, to fight food waste along our value chain.



Reusable food wrap  
DKK 20

Unbleached pocket tissues.  
6 pack. **DKK 10**



## Charity donations

As a globally operating company, we want to positively impact local communities. We do our utmost to donate surplus products to people in need. In doing so, we minimise our environmental footprint as well as help disadvantaged families and communities.

## Products

In 2020, we have donated products to a number of NGOs like In Kind Direct (United Kingdom), Red Cross (Denmark and Spain) and China Overseas Chinese Foundation. These organisations further distribute our wide range of products to people in need. For instance, 1,687 different charities across the UK have benefitted from our collaboration with In Kind Direct, the majority focusing on child/youth care and family welfare. This has been especially welcomed in a period where COVID-19 put extra pressure on families in need.

## Food

From our food assortment, we have donated products to national foodbanks in Denmark, the UK, and Spain, as well as to WeFood, a Danish supermarket exclusively selling products that are no longer commercially attractive to retailers. Through these donations, we help reduce food waste.



Bamboo is a material that has its own powerful story. It can handle more pressure than reinforced concrete, all the while growing at an impressive one metre a day! Mirror. Bamboo **DKK 50**

# Global Retail Operation

## EasyStore

For the past years, we have focused on standardising our store operations across all markets to enhance our customers' store experience while improving efficiency. To support this, we – along with store managers – developed and implemented a concept we named EasyStore. It defines a set of key principles on how to best plan and execute core routines in-store and includes e.g. stockroom structure, replenishment of products, campaign execution, and daily/weekly planning of tasks – all to ensure the best possible customer and staff experience in the most efficient way possible.

The importance of the EasyStore concept became very clear with the outbreak of COVID-19 as the standardised planning and execution of routines ensured that stores could operate with less employees working in a store simultaneously. Together with the other safety measures we implemented, this played a large part in providing a safe working and shopping environment in our open/semi-open markets.

## A stronger sustainable store portfolio

Prior to the rise of COVID-19, we were intent on reviewing the entire store portfolio and to adjust our footprint where needed to ensure that each store runs as a sustainable and profitable unit. This was obviously accelerated as our markets went into lock-down one by one. Shortly into the pandemic, we established a close collaboration with our landlords on the challenges facing our markets in the uncertain times. Our decentralised market operation proved very valuable and efficient as the Managing Directors in each country, supported by our global property team, ensured the right level of coordinated local and central activity to achieve a stronger, more flexible, and lower store occupancy cost base as we ended 2020.

## Model Store

Optimising in-store operation is a continuous effort and during 2020, we rolled-out "Model Store" across our Owned and Operated markets. Model Store is developed with internal expertise to – at store level – improve the product range, layout and use of space. Combined and integrated with the EasyStore ways of working, Model Store achieves both a better use of space, a more cohesive merchandising execution and a more controlled and secure product margin. Furthermore, the Model Store approach offers a better store experience for our customers and allows for further efficiencies for store teams. The Model Store concept includes that the monthly campaign flows through the store more efficiently and is easier to shop as well as giving more space to our fixed range of customer favourites.





# 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 DKK 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 will be applied when needed 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.

## 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.



Fold-out card with envelope.  
14x18 cm DKK 10

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 26 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 during 2020 launched an ecommerce platform in our Danish and Swedish markets, which we are now expanding to other markets. To mitigate competition from other retailers, Zebra continues to invest in 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 must 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 requires 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 monitored very closely.



Math puzzle  
DKK 20



## 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 an array of 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 maintain 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, ensuring timely identification of new management and deploying 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 People function, which supports the local operating companies and head office in attracting and retaining employees as well as supporting HR projects across markets.



Assorted musical instruments  
From DKK 20

# Life is a party

The more you celebrate life,  
the more in life there is to  
celebrate. So don't grow up  
and have a good time!



Cake candles.  
12 pcs. **DKK 20**

## 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 continuation of the global pandemic is expected by Management to have a substantial negative impact on revenue for 2021, due to store closures in most markets in H1 2021, which might lead to uncertain traffic patterns and trading when markets reopen. The sourcing and delivery of products predominantly from China, has been stabilised and to cater for the lower trading, a number of initiatives have been launched including reduced order placing to avoid overstocking due to lock downs. 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 pandemic throughout Europe, which remains unclear as of the date for completing the Annual Report 2020. Mitigating actions with respect to cost recoveries including governmental compensation schemes have been initiated.

## COVID-19 protection initiatives

During 2020, the vast majority of our markets closed down for longer or shorter periods of time, and in varying degrees from full lock-down to semi-open. A situation that called for extraordinary safety measures towards our customers and our colleagues. At all times, we had the health and safety of these two groups at heart and we have throughout the pandemic adhered or gone beyond all measures put in place in the respective markets.

In many markets, the stores were fully closed, and all store staff sent home on furlough schemes where these were established.

In the markets and periods of time where we did operate our stores, all safety precautions were taken including cough screens by the tills, readily available hand sanitizer for staff and customers, face masks, etc., as well as signage in all stores marking how to adhere to distancing rules, number of customers allowed in the store, etc. An employee would greet the customers by the entrance, controlling the number of people in the store and ensuring that everyone felt safe.

In our Head Office in Copenhagen, we responded immediately to the Danish authorities' recommendations to make all staff work from home and also sent home 57 colleagues on the furlough scheme in varying periods of time between March and June depending on development in the business and society. A small team of colleagues would come to the office when necessary to work with products. Extensive precautions and guidelines were set up such as specific time slots, restricted areas per team, etc. to avoid any contact between colleagues. Additionally, all Personal Protection Equipment (PPE) was available and handed out in the office.

Pre-COVID-19, the vast majority of the HQ organisation already worked on company provided laptops and a solid VPN system was already in place, which made the change to remote working smooth and easy to implement, and colleagues adapted quickly to the new way of working. Additionally, an IT helpdesk was already in function supporting colleagues across markets and functions.

Phishing attempts is a constant – also during COVID-19 – but not something that has resulted in any damage within the business. Cyber-attacks are obviously a much more serious matter, but not something we have experienced – nor during COVID-19 and lock-downs.



Piggy bank. H17 cm  
DKK 50

# One country, one entity

Inherent in our Partnership model is the step of acquiring and consolidating markets. Our Italian business started that process in 2019 when Zebra A/S acquired the IT01 region (Northern Italy) and relocated the Italian Head Office from Turin to Milan. The consolidation continued in 2020 and 2021, with the acquisition of the two remaining territories IT02 (Rome and mid-Italy) and IT03 (Southern Italy). During 2021, we are focusing our efforts on harmonising and integrating our Owned and Operated Market systems, tools and processes, and aligning all market HQs and store operations.

Flying Tiger Copenhagen's strong culture, that values fairness and care for the individual, secured a smooth creation and optimisation of the local Head Office in Milan, having merged the previous three local offices into one. Further, the store and logistics operation of this big and very important market has benefitted tremendously from the integration by simplifying the business internally as well as towards our customers.

Cultural and operational integration of the three local companies is key to a successful merger and throughout the process. We always place people at the centre of our decision making and we believe that this is key to our successful integration!

*"What a fantastic adventure to merge three local very Tigerish organisations, with different cultural background and mindset, but with the same big heart. This process has pushed each one of us to stretch and develop even more."*

Stefano Scarpa – Managing Director Flying Tiger One Italy





Within the very first weeks of the global lock-down, we created an internal website for cross-market information sharing, update on stores and staff, PPE deliveries, CEO video greetings, etc, where all markets and HQ had access. A communication platform that was crucial for us in our COVID-19-handling and information flow.

Additionally, throughout the tough and long period of working remotely, communication from Management to the entire HQ organisation was very frequent to keep transparency high, to ensure sense of belonging and more importantly also to check-in on the well-being of all teams and colleagues. The colleagues on furlough schemes had informal chats with the managers and team members. Further, the Health Insurance scheme available to all HQ colleagues offered psychologist consultations to those who needed and the People team were at all times very close to all colleagues, ensuring that everyone steered through this difficult time in the best possible manner. During 2021 and the prolonged period of working from home, employee well-being remains top of mind – both in terms of mental health, workload and physical working environment – both in the office and at home.



Bamboo toothbrush for kids and adults. **From DKK 10**



# Board of Directors

---



**Nikolaj Vejlsgaard (1971)**  
Chairman, Member since February 2021

**Educational background** M.Sc. in Finance from Copenhagen Business School

**Experience** Owner & Co-Founder of Treville  
20+ years at Axcel, Copenhagen based Private Equity firm  
Various Board positions



**Casper Lykke Pedersen (1974)**  
Member since February 2021

**Educational background** M.Sc. in Finance from Copenhagen Business School

**Experience** Owner & Co-Founder of Treville  
14+ years at Axcel, Copenhagen based Private Equity firm  
4+ years at Deutsche Bank AG, London  
Various Board positions



**Lars Thomassen (1964)**  
Member since February 2021

**Educational background** M.Sc. in Economics from Aarhus Business School

**Experience** Owner & Co-Founder of Treville  
13+ years at Axcel, Copenhagen based Private Equity firm  
7+ years at GN Store Nord  
5+ years at ISS  
Various Board positions



# 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

Food bag  
DKK20



# Consolidated financial statements

---

50	<b>Income statement</b>	
51	<b>Statement of other comprehensive income</b>	
52	<b>Balance sheet</b>	
54	<b>Statement of changes in equity</b>	
55	<b>Cash flow statement</b>	
<hr/>		
<b>56</b>	<b>Basis of preparation</b>	<b>Section 1</b>
56	General accounting policies	Note 1.1
58	Significant accounting estimates and judgments	Note 1.2
58	Going concern	Note 1.3
<hr/>		
<b>59</b>	<b>Results for the year</b>	<b>Section 2</b>
59	Revenue	Note 2.1
60	Staff costs	Note 2.2
61	Special items	Note 2.3
61	Income taxes and deferred tax	Note 2.4
64	Other operating income	Note 2.5
<hr/>		
<b>65</b>	<b>Invested capital and working capital items</b>	<b>Section 3</b>
66	Intangible assets	Note 3.1
69	Right-of-use assets and lease liabilities	Note 3.2
72	Property, plant and equipment	Note 3.3
75	Investment in joint ventures	Note 3.4
77	Inventories	Note 3.5
78	Other provisions	Note 3.6
79	Other payables	Note 3.7
79	Working capital changes	Note 3.8
<hr/>		
<b>80</b>	<b>Capital structure and financing</b>	<b>Section 4</b>
80	Share capital	Note 4.1
81	Pro forma adjusted equity	Note 4.2
82	Financial assets and liabilities	Note 4.3
84	Financial risk management	Note 4.4
89	Provisions for the acquisition of non-controlling interests	Note 4.5
91	Net financials	Note 4.6
92	Liabilities arising from financing activities	Note 4.7
<hr/>		
<b>93</b>	<b>Other disclosures</b>	<b>Section 5</b>
93	Assets held for sale and discontinued operations	Note 5.1
97	Fees to statutory auditor	Note 5.2
97	Related parties	Note 5.3
98	Guarantee commitments and contingent liabilities	Note 5.4
98	Events after the balance sheet date	Note 5.5
99	List of group companies	Note 5.6
100	Definition of key figures and ratios	

## Income statement

1 January - 31 December

DKKm	Note	2020	2019
Revenue	2.1	3,405.7	5,149.5
Cost of sales		(1,777.3)	(2,004.6)
<b>Gross profit</b>		<b>1,628.4</b>	<b>3,144.9</b>
Other external expenses		(495.2)	(620.3)
Staff costs	2.2	(1,110.0)	(1,377.6)
Other operating income	2.5	129.9	4.0
<b>EBITDA before special items</b>		<b>153.1</b>	<b>1,151.0</b>
Amortisation, depreciation and impairment losses		(873.1)	(984.2)
<b>Operating profit/(loss) (EBIT) before special items</b>		<b>(720.0)</b>	<b>166.8</b>
Special items	2.3	(56.5)	(90.7)
<b>Operating profit/(loss) (EBIT)</b>		<b>(776.5)</b>	<b>76.1</b>
Share of loss in joint ventures	3.4	(4.6)	(4.8)
Financial income	4.6	3.7	10.3
Financial expenses	4.6	(197.8)	(203.4)
Fair value adjustment of call options	4.4	(176.5)	104.9
<b>Loss before tax</b>		<b>(1,151.7)</b>	<b>(16.9)</b>
Tax on loss for the year	2.4	(184.1)	(51.0)
<b>Loss for the year from continuing operations</b>		<b>(1,335.8)</b>	<b>(67.9)</b>
Loss for the year from discontinued operations	5.1	(206.5)	(155.7)
<b>Loss for the year</b>		<b>(1,542.3)</b>	<b>(223.6)</b>
Loss for the year is attributable to:			
Owners of Zebra A/S		(1,540.9)	(256.8)
Non-controlling interests		(1.4)	33.2
<b>Loss for the year</b>		<b>(1,542.3)</b>	<b>(223.6)</b>

## Statement of other comprehensive income

1 January - 31 December

DKKm	Note	2020	2019
<b>Loss for the year (brought forward)</b>		<b>(1,542.3)</b>	<b>(223.6)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange rate differences on translation of investments in foreign entities		(7.5)	0.9
Exchange rate differences on translation of discontinued investments in foreign entities*		9.7	(0.3)
Foreign exchange hedging instruments:			
- Realised in inventories		0.8	(13.7)
- Realised in cost of sales		9.8	(52.5)
- Realised in financial items		(0.8)	(3.8)
- Fair value adjustments		(40.3)	43.1
Tax on hedging instruments		6.7	5.9
<b>Other comprehensive income</b>		<b>(21.6)</b>	<b>(20.4)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,563.9)</b>	<b>(244.0)</b>
*Off which DKK 3.2m (2019: DKK 0m) are attributable to sale of business and therefore reclassified to the income statement.			
Total comprehensive loss for the year is attributable to:			
Owners of Zebra A/S		(1,561.2)	(277.4)
Non-controlling interests		(2.7)	33.4
<b>Total</b>		<b>(1,563.9)</b>	<b>(244.0)</b>
Total comprehensive loss for the year attributable to owners of Zebra A/S arises from:			
Continuing operations		(1,367.1)	(88.0)
Discontinued operations		(196.8)	(156.0)
<b>Total</b>		<b>(1,563.9)</b>	<b>(244.0)</b>



## Balance sheet

31 December

<b>Assets</b>			
<b>DKKm</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Intangible assets	3.1	227.4	246.7
Right-of-use assets	3.2	1,837.0	2,394.9
Property, plant and equipment	3.3	301.1	451.4
Investment in joint ventures	3.4	9.1	11.6
Deposits		89.1	103.8
Derivative financial instruments	4.3, 4.4	282.5	555.1
Deferred tax	2.4	82.7	259.7
<b>Non-current assets</b>		<b>2,828.9</b>	<b>4,023.2</b>
Inventories	3.5	597.5	900.8
Income tax receivables		29.3	21.8
Derivative financial instruments	4.3, 4.4	-	14.9
Other receivables	4.3	38.7	45.9
Prepayments		24.6	36.3
Cash and cash equivalents	4.3	394.0	379.5
Assets held for sale	5.1	85.5	323.2
<b>Current assets</b>		<b>1,169.6</b>	<b>1,722.4</b>
<b>Assets</b>		<b>3,998.5</b>	<b>5,745.6</b>

## Balance sheet

31 December

### Equity and liabilities

DKKm	Note	2020	2019
Share capital	4.1	572.9	455.5
Currency translation reserve		(6.6)	(8.8)
Currency hedging reserve		(24.1)	(0.3)
Retained earnings		(2,001.1)	(266.3)
<b>Capital and reserves attributable to owners of Zebra A/S</b>	4.2	<b>(1,458.9)</b>	<b>180.1</b>
Non-controlling interests		-	-
<b>Total equity</b>		<b>(1,458.9)</b>	<b>180.1</b>
Provisions for the acquisition of non-controlling interests	4.3, 4.5, 4.7	155.0	204.3
Other provisions	3.6	42.2	33.5
Bank debt	4.3, 4.7	1,778.1	1,185.8
Other loans	4.3, 4.7	20.3	11.1
Lease liabilities	3.2, 4.3, 4.7	1,345.7	1,862.2
Deferred considerations	4.3, 4.5, 4.7	59.0	-
Deferred tax	2.4	2.2	3.5
Other non-current liabilities	4.3	39.8	35.2
<b>Non-current liabilities</b>		<b>3,442.3</b>	<b>3,335.6</b>
Provisions for the acquisition of non-controlling interests	4.3, 4.5, 4.7	17.2	44.6
Other provisions	3.6	11.1	8.8
Loans provided by shareholders of non-controlling interests	4.3, 4.7	7.7	18.5
Bank debt	4.3, 4.7	222.3	280.3
Other loans	4.3, 4.7	37.4	3.0
Lease liabilities	3.2, 4.3, 4.7	694.3	651.0
Trade payables	4.3	443.8	533.5
Income tax payables	4.3	10.1	14.6
Deferred considerations	4.3, 4.5, 4.7	63.0	3.8
Derivative financial instruments	4.3, 4.4	41.3	5.8
Other payables	3.7, 4.3	381.4	356.0
Liabilities directly associated with the assets held for sale	5.1	85.5	310.0
<b>Current liabilities</b>		<b>2,015.1</b>	<b>2,229.9</b>
<b>Liabilities</b>		<b>5,457.4</b>	<b>5,565.5</b>
<b>Equity and liabilities</b>		<b>3,998.5</b>	<b>5,745.6</b>

## 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
<b>2020</b>							
<b>Equity 01.01.</b>	<b>455.5</b>	<b>(8.8)</b>	<b>(0.3)</b>	<b>(266.3)</b>	<b>180.1</b>	-	<b>180.1</b>
Loss for the year	-	-	-	(1,540.9)	(1,540.9)	(1.4)	(1,542.3)
Other comprehensive income for the year, net of tax	-	3.5	(23.8)	-	(20.3)	(1.3)	(21.6)
<b>Transactions with owners:</b>							
Dividend paid to non-controlling interests	-	-	-	-	-	(38.4)	(38.4)
Fair value adjustment of provisions for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	(88.7)	(88.7)	-	(88.7)
Fair value of exercised call options, c.f. Note 4.4	-	-	-	(96.1)	(96.1)	-	(96.1)
Transactions with non-controlling interests	-	-	-	-	-	(0.7)	(0.7)
Reclassification of the non-controlling interests subject to the put option recognised as a liability	-	(1.3)	-	(40.5)	(41.8)	41.8	-
Share capital increase	117.4	-	-	31.4	148.8	-	148.8
<b>Equity 31.12.</b>	<b>572.9</b>	<b>(6.6)</b>	<b>(24.1)</b>	<b>(2,001.1)</b>	<b>(1,458.9)</b>	-	<b>(1,458.9)</b>
<b>2019</b>							
<b>Equity 01.01.</b>	<b>0.5</b>	<b>(9.4)</b>	<b>20.7</b>	<b>9.5</b>	<b>21.3</b>	-	<b>21.3</b>
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)
<b>Transactions with owners:</b>							
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
<b>Equity 31.12.</b>	<b>455.5</b>	<b>(8.8)</b>	<b>(0.3)</b>	<b>(266.3)</b>	<b>180.1</b>	-	<b>180.1</b>

Transaction costs of DKK 1.2m (2019: DKK 1.8m) have been recognised in Retained earnings under Share capital increase.

In accordance with IFRS, where 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 2020, the accumulated changes and differences upon settlement amount to DKK -1,027.4m (2019: DKK -938.7m) included in equity. With effect from 1 January 2018, fair value of the call options over the remaining ownership interests is recognised in the balance sheet. At 1 January 2020, the effect was DKK 555.1m (2019: DKK 450.2m) recognised in the opening equity and fair value adjusted over the income statement to DKK 282.5m at 31 December 2020 (2019: DKK 555.1m). Additional details on the impact are provided in note 4.2.

## Cash flow statement

1 January - 31 December

DKK m	Note	2020	2019
<b>Operating profit/(loss) (EBIT) before special items</b>		<b>(905.9)</b>	<b>35.3</b>
Amortisation, depreciation and impairment losses		969.4	1,089.7
Special items paid		(41.0)	(71.9)
Working capital changes	3.8	301.1	(37.0)
Other non-cash adjustments		(34.0)	(52.5)
Interest income received		0.4	1.9
Interest expenses paid		(191.6)	(206.5)
Taxes paid		(17.1)	(48.8)
<b>Cash flows from operating activities</b>		<b>81.3</b>	<b>710.2</b>
Investment in intangible assets		(26.1)	(23.0)
Investment in right-of-use assets		(4.2)	(5.5)
Sale of right-of-use assets		0.2	1.3
Investment in property, plant and equipment		(37.2)	(58.2)
Sale of property, plant and equipment		0.4	5.0
Sale of business	5.1	(5.4)	-
Deposits paid		(3.4)	(16.2)
Deposits received		15.0	6.7
<b>Cash flows from investing activities</b>		<b>(60.7)</b>	<b>(89.9)</b>
<b>Free cash flow</b>		<b>20.6</b>	<b>620.3</b>
Repayment to non-controlling interests		(0.1)	-
Acquisition of non-controlling interests	4.5, 4.7	(47.2)	(98.7)
Share capital increase		148.8	476.1
Proceeds from loans provided by shareholders of non-controlling interests	4.7	4.7	1.7
Repayment of loans provided by shareholders of non-controlling interests	4.7	(9.2)	(4.3)
Repayment of lease liabilities	4.7	(649.3)	(724.0)
Proceeds from loans and borrowings	4.7	641.5	268.9
Repayment of loans and borrowings	4.7	(77.7)	(480.5)
Dividend paid to non-controlling interests		(38.4)	(71.7)
<b>Cash flows from financing activities</b>		<b>(26.9)</b>	<b>(632.5)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(6.3)</b>	<b>(12.2)</b>
Cash and cash equivalents at 1 January		379.5	424.3
Cash and cash equivalents at 1 January discontinued operations		38.0	-
Unrealised exchange gains/(losses) included in cash and cash equivalents		(7.9)	5.4
Cash reclassified to discontinued operations		(9.3)	(38.0)
<b>Cash and cash equivalents at 31 December</b>		<b>394.0</b>	<b>379.5</b>

Please see note 5.1 for a specification of cash flows of discontinued operations.

Unutilised credit facilities for the Group were DKK 570.2 m at 31 December 2020 (2019: DKK 413.0m).

The cash flow cannot be derived directly from the income statement and the balance sheet.

## Section 1 Basis of preparation

### This section

**Note 1.1** General accounting policies

**Note 1.2** Significant accounting estimates and judgments

**Note 1.3** Going concern

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.

### 1.1 General accounting policies

The Annual Report for the period 1 January – 31 December 2020 comprises the consolidated financial statements of the Parent Company Zebra A/S and the 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. Derivative financial instruments, including call options and provisions for the acquisition of non-controlling interests, are measured at fair value.

The consolidated financial statements have been prepared on a going concern basis. Please refer to note 1.3 Going concern.

#### Accounting policies

The accounting policies, as described below and in the respective notes, have been used consistently for the financial year.

Due to COVID-19, the Group was entitled to government grants in 2020. These are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The COVID-19 related grants are recognised as other operating income.

Apart from the above-mentioned change and changes due to the implementation of new or amended standards and interpretations as

described in the below section 'Implementation of new or amended standards and interpretations', accounting policies are unchanged from last year.

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.



## 1.1 General accounting policies (continued)

### Foreign currencies

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

#### *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 date of the initial transaction. An average exchange rate for the month is used at the transaction date to the extent that it 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. Income statements and the 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 it does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation are recognised in other comprehensive income.

### Consolidated income statement

The consolidated income statement is prepared based on cost classified by nature. Cost of sales is comprised of direct expenses incurred to generate revenue for the year, including cost of goods, inbound freight, test and design expenses, and customs costs. Other external expenses are comprised of other purchase and selling costs, as well as administrative costs and bad debt.

### Equity

#### *Currency translation reserve*

The currency translation reserve 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 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 the purchase of intangible assets, property, plant and equipment, and business combinations.

Cash flows from financing activities comprise dividends 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 of the transaction unless these differ significantly from the rates at the transaction dates.

### Implementation of new or amended standards and interpretations

The Group has adopted all the 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 2020. The Group has also elected to early adopt the amendment to IFRS 16 'Leases COVID-19 Related Rent Concessions' with effect from 1 January 2020:

#### *Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions*

The Group has adopted the amendment to IFRS 16 'Leases' regarding COVID-19 related rent concessions issued in May 2020. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification and account for the concession as a negative variable lease payment. The Group has applied the practical expedient to all rent concessions that meet the conditions in the amendment. The Group accounts for the reduction in future lease payments by derecognising the part of the lease liability which has been forgiven and recognising the adjustment on the income statement under other external expenses. Depreciation of the right-of-use asset continues over the remaining lease term.

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 2021. 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 as of 31 December 2020, as well as the results of operations and of cash flow. 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 as such, 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.

### COVID-19

Due to the COVID-19 outbreak, the Group has assessed the value of intangible assets, right-of-use assets as well as property, plant and equipment. The impairment test resulted in a recognition of impairment losses of DKK 23.7m related to right-of-use assets and DKK 10.2m related to property, plant and equipment. As there is limited visibility on the future COVID-19 development, the Group will continue assessing the value of the assets including the terms of the leasing contracts and any government grants.

The Group also considered the recoverability of the value of inventory and has recognised inventory write-downs due to a combination of lower sales in connection with COVID-19 and a commercial assessment of the future assortment. The fair value measurement of call options has also been impacted of the COVID-19 pandemic resulting in a fair value adjustment of DKK -106.9 m, and an impairment test of the tax asset value also resulted in an impairment loss of DKK 379.3m.

Information about judgments, 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),
- Measurement, revaluation and impairment test of right-of-use assets (note 3.2),
- Write-downs against the carrying amount of inventories (note 3.5),
- Fair value measurement of call options (note 4.4) and
- Provisions for the acquisition of non-controlling interests (note 4.5).

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 connection 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 income statement, 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 Going concern

The reported equity has turned negative at the end of 2020 with DKK 1,459m for the Group and DKK 770m for the Parent Company and thus the registered share capital has been fully lost. Reference is made to the section 'Negative reported Equity/financial position for the Group and the Parent Company' in the 'Operating and financial review 2020' on page 19.

It is the Executive Management and the Board of Directors' assessment that the Group is able to continue as a going concern, accordingly the consolidated financial statements have been prepared on a going concern basis.

## Section 2 Results for the year

### This section

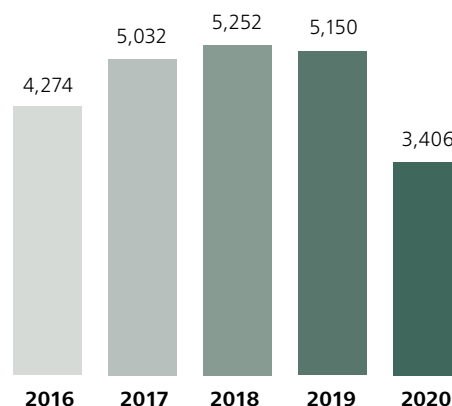
- Note 2.1** Revenue
- Note 2.2** Staff costs
- Note 2.3** Special items
- Note 2.4** Income taxes and deferred tax
- Note 2.5** Other operating income

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

In 2020, Zebra's revenue was DKK 3,406m, compared to DKK 5,150m in 2019, corresponding to 34% decline.


The 2020 figures and the comparable figures for 2019 and 2018 are excluding discontinued operations.

### Revenue (DKKm)



 **26**  
(2019: 26)  
Number of countries

 **856**  
(2019: 895)  
Number of stores incl. Japanese joint venture

 **4,103**  
(2019: 5,561)  
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 0m (2019: DKK 0.3m) has been recognised for returned goods.

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

DKKm	2020	2019
<b>Geographical regions</b>		
Northern Europe	857.7	1,157.1
Central Europe	399.4	646.7
Western Europe	834.2	1,393.8
Southern Europe	1,308.2	1,951.9
Asia	6.2	-
<b>Total</b>	<b>3,405.7</b>	<b>5,149.5</b>

\*Comparable figures for 2019 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, no longer provides services for the Group.

DKKm	2020	2019
Salaries and wages	915.4	1,133.2
Pension contributions	46.3	54.1
Other social security costs	127.9	176.1
Other staff costs	26.3	25.0
<b>Total</b>	<b>1,115.9</b>	<b>1,388.4</b>
Capitalised salaries and wages related to development projects	(5.9)	(10.8)
<b>Recognised in the income statement</b>	<b>1,110.0</b>	<b>1,377.6</b>

Average number of full-time equivalents	4,103	5,561
---	-------	-------

\*Comparable figures for 2019 have been restated to reflect the reclassification of discontinued operations.

### Remuneration for the Executive Management and the Board of Directors

Total remuneration, Executive Management*	11.4	25.6
Total remuneration, Board of Directors	1.5	1.2
<b>Total</b>	<b>12.9</b>	<b>26.8</b>

### Remuneration for the Executive Management and the Board of Directors

Salaries and wages*	11.9	24.6
Pensions	1.0	2.2
<b>Total</b>	<b>12.9</b>	<b>26.8</b>

\*2019 includes severance payments.

## 2.3 Special items

### Accounting policies

Special items include significant income and expenses of a non-recurring nature which cannot be attributed directly to the Group's ordinary operating activities. Such income and expenses relate to the significant restructuring of processes, fundamental structural adjustments, as well as the gains or losses arising in this connection, 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	2020	2019
Transformation program	53.7	62.2
Costs associated with the establishment of new management team	-	25.6
Costs related to the fire on the vessel Maersk Honam	2.8	2.8
Implementation of GDPR	-	0.1
<b>Total</b>	<b>56.5</b>	<b>90.7</b>

## 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, and business plans for the coming years, including other planned commercial initiatives.

The Executive Management considers it probable that an amount of DKK 80.5m in tax assets can be offset against positive taxable income within the next five years, while an amount of DKK 495.3m in tax assets has been impaired at year-end 2020. The impairment effect from continued operations in 2020 on the income statement amounted to DKK -379.3m. The tax asset is impairment tested on a per entity basis, including expected income for the entity for the period 2021 to 2025. Negative effects from COVID-19 have been considered in expected income.

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 38.3m (2019: DKK 121.3m) is related to tax loss carry-forwards.



## 2.4 Income taxes and deferred tax (continued)

<b>Tax costs</b>		
<b>DKKm</b>	<b>2020</b>	<b>2019</b>
Current tax	2.9	82.0
Adjustment to current tax concerning previous years	0.2	(0.5)
Change in deferred tax during the year	175.0	(30.2)
Impact from change in tax rate to deferred tax	2.4	(0.1)
Adjustment to deferred tax concerning previous years	3.6	(0.2)
<b>Total</b>	<b>184.1</b>	<b>51.0</b>
<b>Tax reconciliation</b>		
<b>DKKm</b>	<b>2020</b>	<b>2019</b>
Loss before tax	(1,151.7)	(16.9)
Calculated 22.0% on loss before tax	(253.4)	(3.7)
Difference in local tax rate compared to Parent's tax rate of 22.0%	(2.8)	3.1
<i>Tax effect from:</i>		
Non-taxable income and non-deductible expenses	54.8	(3.9)
Impact from change in the tax rates	2.4	(0.1)
Impact of non-recognised tax losses to be carried forward and value adjustments	379.3	56.4
Adjustments concerning previous years	3.8	(0.8)
<b>Total</b>	<b>184.1</b>	<b>51.0</b>
<b>Effective tax rate</b>	<b>-16.0%</b>	<b>-302.0%</b>

\*Comparable figures for 2019 have been restated to reflect the reclassification of discontinued operations.

<b>Deferred tax</b>		
<b>DKKm</b>	<b>2020</b>	<b>2019</b>
Deferred tax assets	82.7	272.3
Deferred tax liabilities	(2.2)	(3.5)
Reclassified to assets held for sale	-	(12.6)
<b>Total</b>	<b>80.5</b>	<b>256.2</b>

## 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 comprehensive income	Reclassified to Asset held for sale	Deferred tax 31.12.
<b>2020</b>								
Intangible assets	19.3	-	-	9.3	-	-	-	28.6
Right-of-use assets	(587.8)	-	0.1	165.3	(26.9)	-	-	(449.3)
Property, plant and equipment	30.6	-	-	5.1	(0.1)	-	-	35.6
Inventories	49.3	-	-	(9.9)	-	-	-	39.4
Lease liabilities	609.7	-	-	(174.0)	31.7	-	-	467.4
Provisions	(0.5)	-	-	-	-	-	-	(0.5)
Foreign exchange hedging	0.1	-	-	-	-	6.7	-	6.8
Tax losses to be carried forward	168.6	-	-	202.6	34.5	-	-	405.7
Valuation allowances	(68.2)	-	0.9	(379.3)	(48.7)	-	-	(495.3)
Interest limitation balance	7.8	-	-	6.5	-	-	-	14.3
Other	27.3	-	-	(6.6)	7.1	-	-	27.8
<b>Deferred tax</b>	<b>256.2</b>	<b>-</b>	<b>1.0</b>	<b>(181.0)</b>	<b>(2.4)</b>	<b>6.7</b>	<b>-</b>	<b>80.5</b>
<b>2019</b>								
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
<b>Deferred tax</b>	<b>228.7</b>	<b>-</b>	<b>0.3</b>	<b>30.5</b>	<b>3.4</b>	<b>5.9</b>	<b>(12.6)</b>	<b>256.2</b>

Unrecognised tax loss carry-forwards amount to DKK 367.3m (2019: DKK 68.2m).

## 2.5 Other operating income

### Accounting policies

#### Government grants

Other operating income includes government grants. Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

If conditions are attached to the grant, which must be satisfied before the Group is eligible to receive the contribution, the recognition of the grant will be deferred until those conditions are satisfied.

Government grants comprise COVID-19 related grants which are recognised as other operating income.

### COVID-19 Government grants

The Group has received government grants related to the COVID-19 pandemic during 2020. The grants are primarily related to staff costs, however, there are also grants related to operational expenses reported in other external expenses.

Further, there have been postponed payments to government related direct and indirect taxes, however this is not considered a government grant and will only influence short term liabilities in the balance sheet.

### Other operating income

DKKm	2020	2019
Government grants	116.2	-
Other	13.7	4.0
<b>Total</b>	<b>129.9</b>	<b>4.0</b>

## Section 3 Invested capital and working capital items

### This section

- Note 3.1** Intangible assets
- Note 3.2** Right-of-use assets and lease liabilities
- Note 3.3** Property, plant and equipment
- Note 3.4** Investment in joint ventures
- Note 3.5** Inventories
- Note 3.6** Other provisions
- Note 3.7** Other payables
- Note 3.8** Working capital changes

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	2020	2019
Inventories	597	901
Other receivables	39	46
Prepayments	25	36
Trade payables	(444)	(534)
Other payables	(381)	(356)
<b>Net working capital</b>	<b>(164)</b>	<b>93</b>

#### Invested capital

DKKm	2020	2019
Intangible assets	227	247
Right-of-use assets	1,837	2,395
Property, plant and equipment	301	451
Investment in joint ventures	9	12
Deposits	89	104
Net working capital	(164)	93
Other provisions	(53)	(42)
Derivative financial instruments	(41)	9
Other non-current liabilities	(40)	(35)
Net income tax	19	7
Net deferred tax	81	256
<b>Invested capital</b>	<b>2,265</b>	<b>3,497</b>

## 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 2021 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.

Pre-tax discount rates of 8.9% – 10.0% are 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 0m (2019: DKK 0.9m).

#### *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 2020 (2019: DKK 0m).

#### *Other intangible assets with an indefinite useful life*

Licenses and software include a carrying amount of DKK 3.7m (2019: 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 2020 (2019: DKK 0m).



### 3.1 Intangible assets (continued)

DKKm	Goodwill	Trademarks	Licenses and software	Intangible assets in progress	Total
<b>2020</b>					
Cost 01.01.	18.8	0.8	320.1	24.6	364.3
Exchange rate adjustment	-	-	(0.2)	-	(0.2)
Additions	-	-	1.1	-	1.1
Additions, internal development	-	-	-	25.0	25.0
Transfer	-	-	29.2	(29.2)	-
Disposals	(6.8)	-	(3.2)	-	(10.0)
Disposal related to sale of business	-	-	(1.0)	-	(1.0)
<b>Cost 31.12.</b>	<b>12.0</b>	<b>0.8</b>	<b>346.0</b>	<b>20.4</b>	<b>379.2</b>
Amortisation 01.01.	(4.5)	(0.1)	(113.0)	-	(117.6)
Exchange rate adjustment	-	-	0.2	-	0.2
Amortisation	-	-	(39.0)	-	(39.0)
Impairment losses	-	-	(0.1)	-	(0.1)
Transfer	-	-	-	-	-
Disposals	0.9	-	3.1	-	4.0
Disposal related to sale of business	-	-	0.7	-	0.7
<b>Amortisation 31.12.</b>	<b>(3.6)</b>	<b>(0.1)</b>	<b>(148.1)</b>	<b>-</b>	<b>(151.8)</b>
<b>Carrying amount 31.12.</b>	<b>8.4</b>	<b>0.7</b>	<b>197.9</b>	<b>20.4</b>	<b>227.4</b>

**3.1 Intangible assets (continued)**

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
<b>2019</b>						
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)
<b>Cost 31.12.</b>	<b>18.8</b>	<b>-</b>	<b>0.8</b>	<b>320.1</b>	<b>24.6</b>	<b>364.3</b>
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
<b>Amortisation 31.12.</b>	<b>(4.5)</b>	<b>-</b>	<b>(0.1)</b>	<b>(113.0)</b>	<b>-</b>	<b>(117.6)</b>
<b>Carrying amount 31.12.</b>	<b>14.3</b>	<b>-</b>	<b>0.7</b>	<b>207.1</b>	<b>24.6</b>	<b>246.7</b>

Net loss from disposal of intangible assets amounts to DKK 6.0m (2019: DKK 0.7m).

## 3.2 Right-of-use assets and lease liabilities

### Accounting policies

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. Lease terms vary between markets and can range from a defined, few years to rolling contracts without a defined end date. Additionally, several lease contracts include extension and/or termination options. Most of the lease contracts include mechanisms for rent adjustments, either as a fixed percentage increase, an adjustment based on local price indices, or as the result of 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. For these leases, upon applying IFRS 16, the 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 payments 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.

#### Amendment to IFRS 16 Leases

The Group has adopted the amendment to IFRS 16 Leases regarding COVID-19 related rent concessions issued in May 2020. The Group accounts for the reduction in future lease payments by derecognising the part of the lease liability which has been forgiven, and recognising the adjustment in profit or loss as a negative variable lease payment under other external expenses. Depreciation of the right-of-use asset continues over the remaining lease term.

### 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 2.5 years (2019: 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.

In 2020, the Group has considered the recoverability of the right-of-use assets, for loss making stores and CGU's with low EBIT margins, based on budgets which have been updated to reflect the expected impact from COVID-19.

The impairment test of right-of-use assets resulted in a recognition of impairment losses of DKK 23.7m relating to stores in Denmark, Norway, Sweden, Switzerland, Czech Republic, Spain, France, United Kingdom, Ireland, Italy, the Netherlands, and Portugal (2019: DKK 32.9m). Prior year impairment losses resulted in reversals of DKK 15.9m (2019: DKK 0m) as no impairment indicators existed for the relevant CGU's.

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

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 lease term determined by the Group generally comprises non-cancellable periods 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.

#### Right-of-use assets

DKK m	Property	Cars	Other equipment	Store furniture	Total
<b>2020</b>					
Carrying amount 01.01.	2,383.0	4.3	2.5	5.1	2,394.9
Exchange rate adjustment	(36.8)	-	-	-	(36.8)
Additions	121.3	0.3	0.7	-	122.3
Adjustment due to remeasurement of lease liabilities	17.0	0.1	-	-	17.1
Transfer	18.6	-	-	-	18.6
Disposals	(2.2)	-	-	-	(2.2)
Depreciation	(662.5)	(2.3)	(1.5)	(2.8)	(669.1)
Impairment losses	(23.7)	-	-	-	(23.7)
Reversal of prior year impairment losses	15.9	-	-	-	15.9
<b>Carrying amount 31.12.</b>	<b>1,830.6</b>	<b>2.4</b>	<b>1.7</b>	<b>2.3</b>	<b>1,837.0</b>
<b>2019</b>					
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)
<b>Carrying amount 31.12.</b>	<b>2,383.0</b>	<b>4.3</b>	<b>2.5</b>	<b>5.1</b>	<b>2,394.9</b>

Net loss from disposal of right-of-use assets amounts to DKK 2.0m (2019: DKK 0.8m).

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

#### Lease liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
<b>2020</b>					
Lease liabilities	753.5	1,302.3	126.3	2,182.1	2,040.0
<b>2019</b>					
Lease liabilities	725.1	1,813.6	184.8	2,723.5	2,513.2

	2020	2019
Non-current liabilities	1,345.7	1,862.2
Current liabilities	694.3	651.0
<b>Total</b>	<b>2,040.0</b>	<b>2,513.2</b>

#### Amounts recognised in profit or loss

DKKm	2020	2019
Depreciation charge of right-of-use assets	688.0	804.6
Interest expense on lease liabilities (included in finance cost)	80.4	101.0
Expense relating to short-term and low value leases (included in other external expenses)	1.2	1.5

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 2020 this amounted to DKK 16.2m (2019: DKK 28.9m), which is included in other external expenses.

The total cash outflow for leases in 2020 was DKK 775.5m (2019: DKK 856.0m).

At 31 December 2020, the Group is committed to DKK 4.9m for short term and other leases (2019: DKK 1.5m).

The effect from COVID-19 related rent concession in 2020 was DKK 73.1m which has been included in other external expenses.



---

### 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, costs directly attributable to the acquisition, and the preparation costs of the asset until the time when it is ready for its 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 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 10.2m relating to stores in Denmark, Norway, Sweden, Spain, France, United Kingdom, Ireland, Italy and the Netherlands (2019: DKK 12.4m). Prior year impairment losses resulted in reversals of DKK 7.8m (2019: DKK 0m) as no impairment indicators existed for the relevant CGU's.

### 3.3 Property, plant and equipment (continued)

DKKm	Leasehold improvements	Store furniture	Other equipment	Assets under construction	Total
<b>2020</b>					
Cost 01.01.	653.4	427.8	171.2	1.1	1,253.5
Exchange rate adjustment	(12.8)	(9.2)	(2.6)	-	(24.6)
Additions	12.1	5.4	10.6	9.1	37.2
Transfer	(23.7)	0.1	0.2	(2.2)	(25.6)
Disposals	(20.7)	(11.5)	(6.2)	-	(38.4)
Disposals related to sale of business	(10.2)	(5.4)	(1.3)	-	(16.9)
<b>Cost 31.12.</b>	<b>598.1</b>	<b>407.2</b>	<b>171.9</b>	<b>8.0</b>	<b>1,185.2</b>
Depreciation 01.01.	(358.8)	(320.2)	(123.1)	-	(802.1)
Exchange rate adjustment	6.8	7.3	2.0	-	16.1
Depreciation	(76.5)	(46.9)	(19.8)	-	(143.2)
Impairment losses	(9.0)	(0.9)	(0.3)	-	(10.2)
Reversal of prior year impairment losses	7.8	-	-	-	7.8
Transfer	7.0	-	-	-	7.0
Disposals	15.9	10.2	5.6	-	31.7
Disposals related to sale of business	5.1	2.8	0.9	-	8.8
<b>Depreciation 31.12.</b>	<b>(401.7)</b>	<b>(347.7)</b>	<b>(134.7)</b>	<b>-</b>	<b>(884.1)</b>
<b>Carrying amount 31.12.</b>	<b>196.4</b>	<b>59.5</b>	<b>37.2</b>	<b>8.0</b>	<b>301.1</b>

**3.3 Property, plant and equipment (continued)**

DKKm	Leasehold improvements	Store furniture	Other equipment	Assets under construction	Total
<b>2019</b>					
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)
<b>Cost 31.12.</b>	<b>653.4</b>	<b>427.8</b>	<b>171.2</b>	<b>1.1</b>	<b>1,253.5</b>
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
<b>Depreciation 31.12.</b>	<b>(358.8)</b>	<b>(320.2)</b>	<b>(123.1)</b>	<b>-</b>	<b>(802.1)</b>
<b>Carrying amount 31.12.</b>	<b>294.6</b>	<b>107.6</b>	<b>48.1</b>	<b>1.1</b>	<b>451.4</b>

Net loss from selling or scrapping property, plant and equipment amounts to DKK 7.5m (2019: DKK 7.9m).

---

## 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 retain rights 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 transactions occur between Group entities and a joint venture of the group, only profits or losses to the extent of the third party's interest in the joint venture are recognised in the Group's consolidated financial statements.

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 2021 with business plans and projections for 2022–2026.

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 10.9% is used to calculate recoverable amounts, representing the pre-tax weighted average cost of capital. 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 2020 and 2019, 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	2020	2019
Cost 01.01.	53.1	53.1
<b>Cost 31.12.</b>	<b>53.1</b>	<b>53.1</b>
Adjustment 01.01.	(41.5)	(35.5)
Exchange rate adjustment	2.1	(1.2)
Share of loss for the year after tax	(4.6)	(4.8)
<b>Adjustment 31.12.</b>	<b>(44.0)</b>	<b>(41.5)</b>
<b>Carrying amount 31.12.</b>	<b>9.1</b>	<b>11.6</b>

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

DKKm	2020	2019
Revenue	229.0	282.2
EBITDA	53.3	64.0
Amortisation and depreciation	(58.9)	(69.6)
Loss for the year	(9.1)	(9.6)
Total comprehensive income	(9.1)	(9.6)
Non-current assets	143.7	175.3
Current assets	128.6	79.7
Non-current liabilities	69.1	86.1
Current liabilities	225.0	183.2
Equity	(21.9)	(14.3)
Net working capital	34.7	29.5
Number of stores	31	29



### 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 to assess future customer demands and preferences, as well as the broader economy. The Group has considered the recoverability of the inventory value and has recognised inventory write-downs during 2020 of DKK 104.2m (2019: DKK 70.7m) due to a combination of lower sales in connection with COVID-19 and a commercial assessment of the future assortment.

At 31 December 2020, the inventory write-downs amounts to DKK 129.4m (2019: DKK 165.3m).

DKKm	2020	2019
Finished goods	726.9	1,053.7
Write-downs	(129.4)	(152.9)
<b>Total inventory continued business</b>	<b>597.5</b>	<b>900.8</b>
Finished goods	7.5	44.6
Write-downs	-	(12.4)
<b>Total inventory reclassified to assets held for sale</b>	<b>7.5</b>	<b>32.2</b>
Write-downs 01.01.	(165.3)	(227.5)
Write-downs, during the year	(104.2)	(70.7)
Write-downs, utilised during the year	110.9	71.7
Write-downs, reversed during the year	29.2	61.2
<b>Write-downs 31.12.</b>	<b>(129.4)</b>	<b>(165.3)</b>

The carrying amount of inventories at fair value less cost to sell amounts to DKK 11.5m (2019: DKK 39.9m).

### 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	2020	2019
Provisions 01.01.	42.3	58.6
Exchange rate adjustment, opening balance	(0.5)	0.3
Provisions for onerous contracts reclassified to right-of-use assets	-	(28.7)
Provisions, during the year	21.6	17.9
Provisions, utilised	(3.1)	(2.2)
Provisions, reversed during the year	(7.0)	(2.9)
Reclassified to assets held for sale	-	(0.7)
<b>Provisions 31.12.</b>	<b>53.3</b>	<b>42.3</b>
Non-current provisions	42.2	33.5
Current provisions	11.1	8.8
<b>Total</b>	<b>53.3</b>	<b>42.3</b>

Other provisions relate mainly to restoration obligations in connection with vacating leased premises, but 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	2020	2019
VAT and other indirect taxes	99.6	132.5
Employee costs	197.5	185.3
Other*	84.3	55.2
Reclassified to assets held for sale	-	(17.0)
<b>Total</b>	<b>381.4</b>	<b>356.0</b>

\*Comparable figures for 2019 have been restated to reflect the reclassification of other loans.

### 3.8 Working capital changes

DKKm	2020	2019
Change in inventories	340.6	387.4
Change in other receivables	1.7	17.0
Change in prepayments	12.3	2.3
Change in trade payables	(61.3)	(343.9)
Change in other payables	7.8	(99.8)
<b>Total</b>	<b>301.1</b>	<b>(37.0)</b>

## Section 4 Capital structure and financing

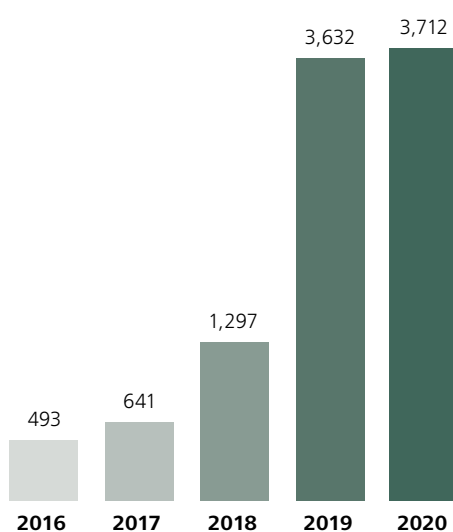
### This section

- 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

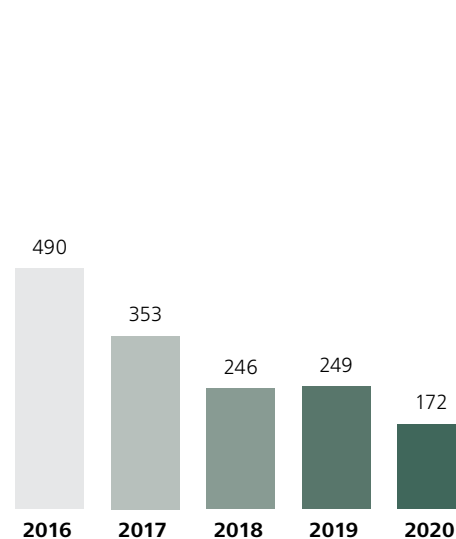
This section provides insights into the Group's capital structure, including financial risk management, provisions for acquisition of non-controlling interests and net financials. IFRS 16 has had an impact of DKK 2,036m (2019: DKK 2,507m) on net interest-bearing debt in 2020.

The provisions for the acquisition of non-controlling interests have decreased since 2016 due to takeovers of partnerships.

#### Net interest-bearing debt (DKKm)



#### 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	1,210,654,872
Class A2	4,513,416,913
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 2020, the shareholders injected capital of DKK 150m (2019: DKK 475m) including share premium.

In February 2021, the share capital was reduced from DKK 573m to DKK 0m to cover losses. Following the reduction the shareholders injected capital of DKK 170m including share premium.

Changes in share capital in the past five financial years:

	DKK '000
Share capital at 1 January 2016	517
Capital increase 2016	-
Capital increase 2017	5
Capital increase 2018	-
Capital increase 2019	454,958
Capital increase 2020	117,461
<b>Share capital at 31 December 2020</b>	<b>572,941</b>

## 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 their 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 the recognition of deferred considerations or cash outflows 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.

DKK m	2020	2019	2018	2017	2016
<b>Pro forma equity adjusted for impact from realised or potential acquisition of non-controlling interests</b>					
Pro forma adjusted equity 01.01.	563.7	503.9	819.2	882.3	789.5
Total comprehensive income for the year before fair value adjustments of call options, net of tax	(1,387.4)	(348.9)	(280.6)	(47.9)	100.9
Share capital increase	148.8	480.4	2.7	23.9	2.0
Dividend paid to non-controlling interests	(38.4)	(71.7)	(43.5)	(39.1)	(47.0)
Other movements	(0.7)	-	6.1	-	36.9
<b>Pro forma adjusted equity 31.12.</b>	<b>(714.0)</b>	<b>563.7</b>	<b>503.9</b>	<b>819.2</b>	<b>882.3</b>
<b>Impact on reported equity from realised or potential acquisition of non-controlling interests</b>					
Fair value of call options, non-current assets	282.5	555.1	450.2	-	-
Provision for the acquisition of non-controlling interests, non-current	(155.0)	(204.3)	(245.6)	(343.4)	(377.9)
Provision for the acquisition of non-controlling interests, current	(17.2)	(44.6)	-	(9.1)	(112.4)
Deferred considerations, non-current	(59.0)	-	(7.3)	(120.3)	(150.9)
Deferred considerations, current	(63.0)	(3.8)	(92.6)	(267.5)	(5.9)
Cash flow used for acquisition of non-controlling interests (accumulated)	(733.2)	(686.0)	(587.3)	(299.7)	(258.8)
<b>Accumulated fair value adjustment 31.12.</b>	<b>(744.9)</b>	<b>(383.6)</b>	<b>(482.6)</b>	<b>(1,040.0)</b>	<b>(905.9)</b>
<b>Reported IFRS equity 31.12.</b>	<b>(1,458.9)</b>	<b>180.1</b>	<b>21.3</b>	<b>(220.8)</b>	<b>(23.6)</b>



## 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 lease liabilities 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, and 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
<b>2020</b>					
<b>Financial liabilities</b>					
Bank debt	307.8	1,913.5	26.8	2,248.1	2,000.4
Other loans	38.2	21.0	-	59.2	57.7
Provisions for the acquisition of non-controlling interests	20.6	185.1	-	205.7	172.2
Loans provided by shareholders of non-controlling interests	7.7	-	-	7.7	7.7
Lease liabilities	753.5	1,302.3	126.3	2,182.1	2,040.0
Deferred considerations	63.0	59.0	-	122.0	122.0
Derivative financial instruments	41.3	-	-	41.3	41.3
Other non-current liabilities	-	-	39.8	39.8	39.8
Trade payables	443.8	-	-	443.8	443.8
Income tax payables	10.1	-	-	10.1	10.1
Other payables	381.4	-	-	381.4	381.4
<b>Total</b>	<b>2,067.4</b>	<b>3,480.9</b>	<b>192.9</b>	<b>5,741.2</b>	<b>5,316.4</b>

### 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
<b>2019</b>					
<b>Financial liabilities</b>					
Bank debt	340.3	1,239.5	-	1,579.8	1,466.1
Other loans	3.0	11.1	-	14.1	14.1
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	-	-	35.2	35.2	35.2
Trade payables	533.5	-	-	533.5	533.5
Income tax payables	14.6	-	-	14.6	14.6
Other payables	356.0	-	-	356.0	356.0
<b>Total</b>	<b>2,049.9</b>	<b>3,300.3</b>	<b>220.0</b>	<b>5,570.2</b>	<b>5,209.7</b>

Fair value of financial assets and liabilities is approximately equal to the carrying amount in both 2020 and 2019.

#### Financial risk management

The nature of the Group's operations, investments and financing exposes the Group to financial risks in the form of fluctuations 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 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 its 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, which 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 with 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, the financial instruments are measured at fair value at the balance sheet date. The fair value of financial instruments is measured 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 which 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) in the fair value hierarchy using projected results derived from approved budgets and agreed EBITDA multiple.

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.

The value of the call option is sensitive to the development of the future EBITDA in the respective subsidiaries. If the future EBITDA of all subsidiaries where Zebra A/S holds a call option increases/decreases by 5%, then the value at the balance sheet date will change by DKK +25.8m /DKK -25.8m.

## 4.4 Financial risk management (continued)

### Call options over the remaining ownership interests in certain subsidiaries

The fair value adjustment includes the effect from the 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 2020, two partnerships (2019: four partnerships) have exercised their put options, and Zebra A/S has negotiated a purchase price for an additional two partnerships. Accordingly, Zebra A/S has reversed the value of the call options for these partnerships.

Furthermore, the non-controlling interest of Flying Tiger Korea Chusik Hoesa was sold to the local partner, and the fair value of the call option has been reversed and expensed under discontinued operations.

DKKm	2020	2019
Balance 01.01.	555.1	450.2
Expired call options not exercised	(65.1)	(29.6)
Expired call options not exercised related to discontinued operations	(4.5)	-
Utilisation of call options	(96.1)	-
Fair value adjustment	(106.9)	134.5
<b>Balance 31.12.</b>	<b>282.5</b>	<b>555.1</b>

### 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 2020 have a maturity of less than 1 year.

Forward exchange contracts – USD	1-3 months	4-6 months	7-9 months	10-12 months
<b>2020</b>				
Contract value (DKKm)	282.7	168.7	215.4	116.3
Weighted average hedged rate (USD/DKK)	6.51	6.49	6.24	6.12
<b>2019</b>				
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

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	2020	2019
<b>Forward exchange contracts - USD</b>		
Carrying amount included in line item 'Derivative financial instruments' under current assets	-	14.9
Carrying amount included in line item 'Derivative financial instruments' under current liabilities	(41.3)	(5.8)
<b>Net carrying amount</b>	<b>(41.3)</b>	<b>9.1</b>
Fair value adjustment recognised in other comprehensive income	(30.5)	(26.9)

DKKm	2020	2019
Cash flow hedge reserve 01.01.	(0.3)	20.7
Change in fair value of cash flow hedges recognised in other comprehensive income	(40.3)	43.1
Reclassified to the cost of inventory	0.8	(13.7)
Reclassified to profit or loss	9.0	(56.3)
Tax on cash flow hedges	6.7	5.9
<b>Cash flow hedge reserve 31.12.</b>	<b>(24.1)</b>	<b>(0.3)</b>

### *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.

Due to the global COVID-19 pandemic resulting in lock downs in many markets during 2020, some purchase orders have been cancelled or postponed resulting in a hedge ineffectiveness in 2020 of DKK 0.8m (2019: DKK 3.8m) which has been reclassified from other comprehensive income to financial Items in profit or loss.

## 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 purchase of goods from Zebra A/S in DKK by the foreign subsidiaries. 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/loss for the year and equity from change in the Group's primary currencies adjusted for hedge accounting:

### Exchange rate analysis

DKK m	Change in exchange rate	2020		2019	
		Profit/loss before tax	Equity	Profit/loss before tax	Equity
USD	(10)%	3.3	(34.1)	(0.7)	(50.2)
USD	10%	(3.3)	34.1	0.7	50.2
GBP	(10)%	10.7	7.9	3.9	(6.7)
GBP	10%	(10.7)	(7.9)	(3.9)	6.7
EUR	(1)%	0.1	0.7	(2.5)	(5.6)
EUR	1%	(0.1)	(0.7)	2.5	5.6
SEK	(10)%	1.1	1.1	3.5	1.8
SEK	10%	(1.1)	(1.1)	(3.5)	(1.8)
PLN	(10)%	0.7	0.7	(1.7)	(1.7)
PLN	10%	(0.7)	(0.7)	1.7	1.7

The analysis is based on monetary assets and liabilities as of the end of 2020 and 2019. 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 due to entities in the Group borrowing 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 2020 would have a negative impact of DKK 16.3m on the Group's profit/loss for the year and equity (2019: negative impact of DKK 11.1m). A corresponding decrease in interest levels would have a negative impact of DKK 3.9m on the Group's profit/loss for the year and equity (2019: negative DKK 3.6m).

### Liquidity risk

Liquidity risk results from the potential inability of the Group to cover its financial liabilities with cash. Please refer to note 1.3 and 4.3. Group Treasury, responsible for monitoring and mitigating liquidity risk, ensures that 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. Fully owned subsidiaries can place surplus cash with Zebra A/S, either through a cash pool setup or directly with Zebra A/S outside of a cash pool.



## 4.4 Financial risk management (continued)

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 an additional equity injection from the owners, subsequently, DKK 225m was amortised in 2019.

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.

In connection with the new owner structure in February 2021, an additional credit facility of DKK 225m was obtained, which will be amortised over 3 years starting in 2024. The original loan was reduced by DKK 125m, and replaced by a subordinated claim to the new owner. The remaining amortisation is designed as such that the 4 years amortisation of the DKK 500m begins in 2023, and DKK 1,700m matures in 2024.

The credit facility is subject to a number of undertakings, financial covenants and other restrictions. Financial covenants consist of a minimum liquidity level, nominal EBITDA level, a leverage cover, and certain capex limitations. Financial covenants are calculated on a last-twelve month basis. Both the EBITDA level and leverage ratio are applicable after 2020. 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 requirements.

### Fair value measurements using significant unobservable inputs (level 3)

The below table shows the changes in level 3 items for the periods ending 31 December 2020 and 31 December 2019:

DKKm	Provision for the acquisition of non-controlling interests (liability)	Call options over the remaining ownership interests in certain subsidiaries (asset)
<b>2020</b>		
Opening balance 01.01.	248.9	555.1
Expired options	(165.4)	(69.6)
Utilisation	-	(96.1)
Fair value adjustment recognised in equity	90.8	-
Fair value adjustment recognised in profit or loss	-	(106.9)
Exchange rate adjustment	(2.1)	-
<b>Closing balance 31.12.</b>	<b>172.2</b>	<b>282.5</b>
<b>2019</b>		
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	-
<b>Closing balance 31.12.</b>	<b>248.9</b>	<b>555.1</b>

## 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 shareholders the right to sell their 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 the 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, and are 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 2020.

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 13.3% (2019: 10.1%) 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	2020	2019
Balance 01.01.	248.9	245.6
Exchange rate adjustment	(2.1)	0.8
Utilisation of provision to acquire non-controlling interests resulting in a deferred consideration	(122.0)	-
Utilisation of provision to acquire non-controlling interests paid upfront	(43.4)	-
Fair value adjustment	90.8	2.5
<b>Balance 31.12.</b>	<b>172.2</b>	<b>248.9</b>
Non-current provisions for the acquisitions of non-controlling interests	155.0	204.3
Current provisions for the acquisitions of non-controlling interests	17.2	44.6
<b>Total</b>	<b>172.2</b>	<b>248.9</b>

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

In 2020, Zebra acquired full ownership of the partnerships covering the Baltic (Tiger Stores OU Estonia, SIA Tiger Shop and UAB Tiger shop), the partnerships covering the rest of Italy (Tiger Italy 2, S.r.l and Tiger Italy 3, S.r.l) and the rest of France (Tiger Stores France SAS and Tiger Stores France 2 SAS). Furthermore, Zebra required full ownership of the partnership in the US (Zebra Stores New England, LLC) as Zebra decided to close its activities in the US.

The paid settlements in 2020 relate to the acquired ownerships in 2018.

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

DKKm	2020	2019
Deferred considerations 01.01.	3.8	99.9
Additions	122.0	-
Settlements paid during the period	(3.8)	(98.7)
Fair value adjustment	-	2.6
<b>Deferred considerations 31.12.</b>	<b>122.0</b>	<b>3.8</b>
Non-current deferred considerations	59.0	-
Current deferred considerations	63.0	3.8
<b>Total</b>	<b>122.0</b>	<b>3.8</b>

## 4.6 Net financials

### Accounting policies

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

DKKm	2020	2019
<b>Financial income</b>		
Interest on financial assets measured at amortised cost	0.2	0.1
Gains on derivative financial instruments not designated as hedges	3.5	4.4
Exchange rate adjustments, net	-	1.0
Other financial income	-	4.8
<b>Total</b>	<b>3.7</b>	<b>10.3</b>
<b>Financial expenses</b>		
Bank charges**	27.4	17.0
Interest on lease liabilities	80.4	101.0
Interest on financial liabilities measured at amortised cost	78.6	84.0
Losses on derivative financial instruments not designated as hedges	1.7	0.4
Exchange rate adjustments, net	5.2	-
Other financial expenses	4.5	1.0
<b>Total</b>	<b>197.8</b>	<b>203.4</b>
<b>Net financials</b>	<b>(194.1)</b>	<b>(193.1)</b>

\*Comparable figures for 2019 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 payments, 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:

DKK m	Liabilities 01.01.	IFRS 16 effect 01.01.2019	Cash movements	Fair value movements	Other non-cash movements*	Exchange rate adjustment	Liabilities directly associated with the assets held for sale	Liabilities 31.12.
<b>2020</b>								
<b>Financial liabilities</b>								
Loans provided by shareholders of non-controlling interests	18.5	-	(4.5)	-	(5.4)	(0.9)	-	7.7
Bank debt	1,466.1	-	527.7	-	9.1	(2.5)	-	2,000.4
Other loans	14.1	-	36.1	-	6.9	0.6	-	57.7
Lease liabilities	2,513.2	-	(649.3)	-	27.7	(51.0)	199.4	2,040.0
Deferred considerations	3.8	-	(3.8)	-	122.0	-	-	122.0
Provision for the acquisition of non-controlling interests	248.9	-	(43.4)	90.8	(122.0)	(2.1)	-	172.2
<b>Total</b>	<b>4,264.6</b>	<b>-</b>	<b>(137.2)</b>	<b>90.8</b>	<b>38.3</b>	<b>(55.9)</b>	<b>199.4</b>	<b>4,400.0</b>
<b>2019</b>								
<b>Financial liabilities</b>								
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
Other loans	1.4	-	-	-	12.7	-	-	14.1
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
<b>Total</b>	<b>2,068.1</b>	<b>3,349.1</b>	<b>(1,036.9)</b>	<b>5.1</b>	<b>135.3</b>	<b>32.9</b>	<b>(289.0)</b>	<b>4,264.6</b>

\*Of which relates to the sale of the Korean business in 2020: Loans provided by shareholders of non-controlling interests DKK 5.3m, and Bank debt DKK 3.3m.

## Section 5 Other disclosures

### This section

- Note 5.1** Assets held for sale and discontinued operations
- Note 5.2** Fees to statutory auditor
- Note 5.3** Related parties
- Note 5.4** Guarantee commitments and contingent liabilities
- Note 5.5** Events after the balance sheet date
- Note 5.6** List of group companies

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

The 2020 figures and the comparable figures for 2019 are excluding discontinued operations.

<b>39</b>	<b>17</b>	<b>22</b>
(2019 : 44)	(2019 : 24)	(2019 : 20)
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 or 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 has either been disposed of or is classified as held for sale, and:

- Represents 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 as 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 decided in 2019 to divest its German and US entities and accordingly initiated a sales process to divest the entities.

As a consequence of the COVID-19 pandemic, the Group was not able to find a solution for the US entities, and has therefore closed all activities in the US in December 2020. The Group is still negotiating with potential buyers for the German business in the form of a franchise solution.

These markets have therefore been presented as discontinued operations in profit or loss, and all associated assets and liabilities in the German business have been reclassified as held for sale in the balance sheet in the consolidated financial statements for 2020.

The impairment test in 2019 resulted in an impairment loss of DKK 36.8m. The impairment loss was recognised on profit or loss under the line item Loss for the year from discontinued operations. There was no need for further impairment in 2020.

#### Sale of business

In July 2020, the Korean company Flying Tiger Korea Chusik Hoesa was sold to the Korean partner who owned 50%. The sales price was 1 EUR and the sale was finalized July 21, 2020. The sale resulted in a loss of DKK 29.5m and a negative effect in cash flow of DKK 5.4m. Comparative figures for 2019 have been adjusted in the below tables regarding Discontinued operations.

## 5.1 Assets held for sale and discontinued operations (continued)

### Assets held for sale

DKKm	2020	2019
<b>Assets classified as held for sale</b>		
Intangible assets	-	0.4
Right-of-use assets	61.7	196.4
Property, plant and equipment	6.4	39.9
Deposits	-	1.2
Deferred tax assets	-	11.6
Inventories	7.5	32.2
Income tax receivables	-	1.0
Other receivables	0.3	0.2
Prepayments	0.3	2.3
Cash and cash equivalents	9.3	38.0
<b>Total assets of disposal group held for sale</b>	<b>85.5</b>	<b>323.2</b>

### Liabilities directly associated with assets classified as held for sale

Other provisions	2.8	0.7
Loans provided by shareholders of non-controlling interests	-	6.9
Lease liabilities	82.7	282.1
Trade payables	-	2.3
Income tax payables	-	1.0
Other payables	-	17.0
<b>Total liabilities of disposal group held for sale</b>	<b>85.5</b>	<b>310.0</b>



## 5.1 Assets held for sale and discontinued operations (continued)

### Discontinued operations

DKKm	2020	2019
Revenue	136.5	369.4
Cost of sales	(82.5)	(174.8)
<b>Gross profit</b>	<b>54.0</b>	<b>194.6</b>
Other external expenses	(55.4)	(75.0)
Staff costs	(91.3)	(145.6)
Other operating income	3.1	-
<b>EBITDA before special items</b>	<b>(89.6)</b>	<b>(26.0)</b>
Amortisation, depreciation and impairment losses	(66.3)	(105.5)
<b>Operating loss (EBIT) before special items</b>	<b>(155.9)</b>	<b>(131.5)</b>
Special items	(0.9)	(0.2)
<b>Operating loss (EBIT)</b>	<b>(156.8)</b>	<b>(131.7)</b>
Financial income	0.2	0.1
Financial expenses	(16.5)	(15.9)
Loss from sale of net assets	(21.8)	-
<b>Loss before tax</b>	<b>(194.9)</b>	<b>(147.5)</b>
Tax loss for the year	(11.6)	28.6
<b>Loss after tax</b>	<b>(206.5)</b>	<b>(118.9)</b>
Impairment loss	-	(36.8)
<b>Loss for the year from discontinued operations</b>	<b>(206.5)</b>	<b>(155.7)</b>
Exchange differences on translation of discontinued operations	9.7	(0.3)
<b>Other comprehensive income from discontinued operations</b>	<b>(196.8)</b>	<b>(156.0)</b>
<b>Cash flow</b>		
Net cash flows from operating activities	(76.2)	(23.9)
Net cash flows from investing activities	(0.5)	(2.7)
Net cash flows from financing activities	(70.6)	(79.0)
<b>Net increase in cash flow generated by discontinued operations</b>	<b>(147.3)</b>	<b>(105.6)</b>

## 5.1 Assets held for sale and discontinued operations (continued)

### Sale of business

DKKm	2020
<b>Assets</b>	
Licenses and software	0.3
Leasehold improvements	4.0
Store equipment	2.6
Other equipment	0.4
Deposits	3.3
Deferred tax	1.8
<b>Non current assets</b>	<b>12.4</b>
Inventory	13.8
Short term receivables	4.8
Cash	5.4
<b>Current assets</b>	<b>24.0</b>
<b>Liabilities</b>	
Bank loan	(3.3)
Loan provided by shareholders	(5.3)
Trade payables	(3.0)
Other payables	(3.0)
<b>Short term liabilities</b>	<b>(14.6)</b>
<b>Booked value of sold net assets</b>	<b>21.8</b>
<b>Payment in cash (1 EUR)</b>	<b>-</b>
Value net assets	(21.8)
Write down call option	(4.5)
Recirculation of accumulated foreign currency translation adjustments in respect of foreign subsidiaries	(3.2)
<b>Loss on sale</b>	<b>(29.5)</b>

## 5.2 Fees to statutory auditor

DKKm	2020	2019
<b>EY</b>		
Statutory audit of financial statements	7.3	5.8
Other assurance engagements	0.4	0.3
Tax advisory services	0.3	0.5
Other services	0.9	1.2
<b>Total</b>	<b>8.9</b>	<b>7.8</b>

## 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 93.2% 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
- Mitco ApS, Høkerboderne 8, 1., 1712 Copenhagen C.

During 2020, it was agreed to increase the share capital by new shares which were subscribed by Zebra Lux with DKK 105m and by Mitco ApS with DKK 45m.

In February 2021, Treville X Holding ApS bought the majority of the shares, and the Executive Management bought a minority of the shares.

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 include companies in which these individuals have material interests.

Members of the Board of Directors and key management have not acquired shares in Zebra A/S in 2020 (2019: DKK 2.9m).

Other than the transactions and remuneration as set out in note 2.2, there has been no trading with members of key management personnel nor 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 11.4m from the joint venture company (2019: DKK 14.2m), and sold goods for an amount of DKK 50.8m (2019: DKK 77.8m) to the joint venture company.

At 31 December 2020, the joint venture company owed the Group DKK 1.9m (2019: DKK 5.6m). 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 85.2m (2019: DKK 88.6m). At 31 December 2020, the guaranteed amount constituted DKK 85.2m (2019: DKK 61.1m).

## 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 85.2m (2019: DKK 88.6m). At 31 December 2020, the guaranteed amount constituted DKK 85.2m (2019: DKK 61.1m).

In addition, the Group has guaranteed or provided guarantees for banking facilities, etc. for subsidiaries amounting to a total of DKK 80.1m (2019: 104.6m).

### 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 8.4m (2019: DKK 8.5m) in order to secure the release of the Group's cargo on the container carrier following the fire. 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 68.8m (2019: DKK 55.6m). 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 (2019: 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 (2019: 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 51.1m (2019: DKK 47.7m).

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

DKKm	2020	2019
<b>Pledged assets</b>		
Goodwill	5.0	11.0
Leasehold rights included in right-of-use assets	5.9	7.2
Trademarks	0.5	0.6
Leasehold improvements	38.8	71.9
Store furniture	4.5	6.2
Other equipment	25.2	34.0
Inventories	421.3	599.1
Other receivables	6.3	14.6
<b>Total</b>	<b>507.5</b>	<b>744.6</b>

## 5.5 Events after the balance sheet date

On 10 February 2021, the Danish investment company, Treville X Holding ApS, acquired ownership of Flying Tiger Copenhagen. In this connection, further funding of DKK 170m was injected into the company as well as additional bank credit facilities of DKK 225m was obtained.

Maturities on existing facilities in 2021 and 2022 of DKK 125m each have been postponed to April 2023. As a consequence of the new ownership structure, the Board of Directors has been replaced by representatives from Treville X Holding ApS.

## 5.6 List of group companies

Investments in group companies comprise the following at 31 December 2020.

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	100%
UAB Tiger Shop	Vilnius, Lithuania	2010	100%
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%
Tiger Stores OY	Espoo, Finland	2011	100%
Zebra Japan K.K.	Tokyo, Japan	2011	50%
Tiger Italy 2, S.r.l.	Bologna, Italy	2012	100%
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	100%
Tiger Stores North West Spain, S.L.	La Coruña, Spain	2013	50%
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	100%
Tiger Stores Spain 5, S.L.	Bilbao, Spain	2014	50%
Tiger Stores France SAS	Nice, France	2014	100%
Tiger Stores France 2 SAS	Paris, France	2014	100%
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%
Zebra Trading (Shanghai) Co., Ltd	Shanghai, China	2017	100%
Zebra Stores New England, LLC*	Delaware, United States	2017	100%
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 2020, Flying Tiger Korea Chusik Hoesa was sold to the local Korean partner. In the future, the company will be operated as a franchise by the new owner.

\*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 =	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin before special items =	$\frac{\text{EBITDA before special items}}{\text{Revenue}}$
Net interest-bearing debt =	Bank debt + Other loans + Loans provided by shareholders of non-controlling interests + Lease liabilities - Cash and cash equivalents
Leverage =	$\frac{\text{Net interest-bearing debt}}{\text{EBITDA before special items}}$
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 =	$\frac{\text{Adjusted profit/(loss) for the year}}{\text{Revenue}}$

### 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

---

102	<b>Income statement</b>
103	<b>Statement of other comprehensive income</b>
104	<b>Balance sheet</b>
106	<b>Statement of changes in equity</b>
107	<b>Cash flow statement</b>

---

	<b>Basis of preparation</b>	<b>Section 1</b>
108	General accounting policies	Note 1.1
108	Significant accounting estimates and judgments	Note 1.2
	<b>Results for the year</b>	<b>Section 2</b>
109	Revenue	Note 2.1
109	Staff costs	Note 2.2
110	Special items	Note 2.3
110	Income taxes and deferred tax	Note 2.4
112	Other operating income	Note 2.5
	<b>Invested capital and working capital items</b>	<b>Section 3</b>
113	Intangible assets	Note 3.1
114	Right-of-use assets and lease liabilities	Note 3.2
116	Property, plant and equipment	Note 3.3
117	Investment in subsidiaries and joint ventures	Note 3.4
119	Receivables from subsidiaries	Note 3.5
120	Inventories	Note 3.6
121	Other provisions	Note 3.7
121	Other payables	Note 3.8
121	Working capital changes	Note 3.9
	<b>Capital structure and financing</b>	<b>Section 4</b>
122	Share capital	Note 4.1
122	Financial liabilities	Note 4.2
123	Derivative financial instruments	Note 4.3
123	Net financials	Note 4.4
124	Liabilities arising from financing activities	Note 4.5
	<b>Other disclosures</b>	<b>Section 5</b>
124	Assets held for sale	Note 5.1
124	Fees to statutory auditor	Note 5.2
125	Related parties	Note 5.3
126	Guarantee commitments and contingent liabilities	Note 5.4
126	Events after the balance sheet date	Note 5.5

## Income statement – Parent

1 January - 31 December

DKKm	Note	2020	2019
Revenue	2.1	1,355.4	2,428.4
Cost of sales		(1,703.8)	(1,785.0)
<b>Gross profit</b>		<b>(348.4)</b>	<b>643.4</b>
Other external expenses		(228.5)	(215.1)
Staff costs	2.2	(264.9)	(275.4)
Impairment loss and reversals of impairment loss on receivables from subsidiaries	3.5	(34.1)	23.1
Other operating income	2.5	46.3	2.0
<b>EBITDA before special items</b>		<b>(829.6)</b>	<b>178.0</b>
Amortisation, depreciation and impairment losses		(152.7)	(159.5)
<b>Operating profit/(loss) (EBIT) before special items</b>		<b>(982.3)</b>	<b>18.5</b>
Special items	2.3	(56.5)	(76.5)
<b>Operating loss (EBIT)</b>		<b>(1,038.8)</b>	<b>(58.0)</b>
Income from investments in subsidiaries		42.2	169.7
Financial income	4.4	42.0	48.8
Financial expenses	4.4	(378.8)	(283.5)
Fair value adjustment of call options		(176.5)	104.9
<b>Loss before tax</b>		<b>(1,509.9)</b>	<b>(18.1)</b>
Tax on loss for the year	2.4	(139.7)	(23.6)
<b>Loss for the year</b>		<b>(1,649.6)</b>	<b>(41.7)</b>
<b>Proposed appropriation of loss for the year:</b>			
Retained earnings		(1,649.6)	(41.7)
<b>Loss for the year</b>		<b>(1,649.6)</b>	<b>(41.7)</b>



## Statement of other comprehensive income – Parent

1 January - 31 December

DKKm	Note	2020	2019
<b>Loss for the year (brought forward)</b>		<b>(1,649.6)</b>	<b>(41.7)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign exchange hedging instruments:			
- Realised in inventories		0.8	(13.7)
- Realised in cost of sales		9.8	(52.5)
- Realised in financial items		(0.8)	(3.8)
- Fair value adjustments		(40.3)	43.1
Tax on hedging instruments		6.7	5.9
<b>Other comprehensive income</b>		<b>(23.8)</b>	<b>(21.0)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,673.4)</b>	<b>(62.7)</b>

## Balance sheet – Parent

31 December

<b>Assets</b>			
<b>DKKm</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Intangible assets	3.1	222.9	240.9
Right-of-use assets	3.2	344.1	404.8
Property, plant and equipment	3.3	35.1	46.1
Investment in subsidiaries and joint ventures	3.4	904.8	777.5
Receivables from subsidiaries	3.5	44.5	64.0
Deposits		20.0	29.1
Derivative financial instruments	4.3	282.5	555.1
Deferred tax	2.4	26.2	159.9
<b>Non-current assets</b>		<b>1,880.1</b>	<b>2,277.4</b>
Inventories	3.6	369.0	670.6
Receivables from subsidiaries	3.5	204.7	267.2
Receivables from joint ventures		1.9	5.6
Derivative financial instruments	4.3	-	14.9
Other receivables		11.9	12.0
Prepayments		9.6	7.2
Cash and cash equivalents		1.6	10.2
Assets held for sale	3.4, 5.1	-	13.2
<b>Current assets</b>		<b>598.7</b>	<b>1,000.9</b>
<b>Assets</b>		<b>2,478.8</b>	<b>3,278.3</b>

## Balance sheet – Parent

31 December

<b>Equity and liabilities</b>			
<b>DKKm</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Share capital	4.1	572.9	455.5
Currency hedging reserve		(24.1)	(0.3)
Development costs reserve		148.7	149.8
Retained earnings		(1,467.9)	149.2
<b>Equity</b>		<b>(770.4)</b>	<b>754.2</b>
Other provisions	3.7	20.4	23.9
Bank debt	4.2, 4.5	1,435.1	996.1
Other loans	4.2	14.7	11.1
Lease liabilities	3.2, 4.2, 4.5	290.8	336.8
Deferred considerations	4.2	59.0	-
<b>Non-current liabilities</b>		<b>1,820.0</b>	<b>1,367.9</b>
Other provisions	3.7	56.1	58.3
Bank debt	4.2, 4.5	171.1	237.8
Other loans	4.2	13.7	2.8
Lease liabilities	3.2, 4.2, 4.5	67.7	89.0
Trade payables	4.2	344.8	464.8
Amounts payable to subsidiaries	4.2, 4.5	533.6	231.5
Deferred considerations	4.2	63.0	3.8
Derivative financial instruments	4.2	41.3	5.8
Other payables	3.8, 4.2	137.9	62.4
<b>Current liabilities</b>		<b>1,429.2</b>	<b>1,156.2</b>
<b>Liabilities</b>		<b>3,249.2</b>	<b>2,524.1</b>
<b>Equity and liabilities</b>		<b>2,478.8</b>	<b>3,278.3</b>

## Statement of changes in equity – Parent

1 January – 31 December

DKKm	Share capital	Currency hedging reserve	Development costs reserve	Retained earnings	Total equity
<b>2020</b>					
<b>Equity 01.01.</b>	<b>455.5</b>	<b>(0.3)</b>	<b>149.8</b>	<b>149.2</b>	<b>754.2</b>
Loss for the year	-	-	-	(1,649.6)	(1,649.6)
Other comprehensive income for the year, net of tax	-	(23.8)	-	-	(23.8)
Capitalised development costs	-	-	(1.1)	1.1	-
<b>Transactions with owners:</b>					
Share capital increase	117.4	-	-	31.4	148.8
<b>Equity 31.12.</b>	<b>572.9</b>	<b>(24.1)</b>	<b>148.7</b>	<b>(1,467.9)</b>	<b>(770.4)</b>
<b>2019</b>					
<b>Equity 01.01.</b>	<b>0.5</b>	<b>20.7</b>	<b>148.8</b>	<b>166.5</b>	<b>336.5</b>
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)	-
<b>Transactions with owners:</b>					
Share capital increase	455.0	-	-	25.4	480.4
<b>Equity 31.12.</b>	<b>455.5</b>	<b>(0.3)</b>	<b>149.8</b>	<b>149.2</b>	<b>754.2</b>

Transaction costs of DKK 1.2m (2019: DKK 1.8m) have been recognised in Retained earnings under Share capital increase.

## Cash flow statement – Parent

1 January – 31 December

DKKm	Note	2020	2019
<b>Operating profit/(loss) (EBIT) before special items</b>		<b>(982.3)</b>	<b>18.5</b>
Armortisation, depreciation and impairment losses		152.7	159.5
Special items paid		(41.0)	(59.5)
Working capital changes	3.9	389.1	(32.1)
Other non-cash adjustments		87.1	(216.2)
Interest income received		12.1	17.4
Interest expenses paid		(120.8)	(89.5)
Taxes paid		0.7	(1.4)
<b>Cash flows from operating activities</b>		<b>(502.4)</b>	<b>(203.3)</b>
Investment in intangible assets		(25.5)	(22.2)
Investment in right-of-use assets		(0.2)	(1.0)
Sale of right-of-use assets		-	1.3
Investment in property, plant and equipment		(15.5)	(5.2)
Sale of property, plant and equipment		-	4.6
Investment in subsidiaries		(47.2)	(98.7)
Loans to subsidiaries		(87.6)	82.6
Dividend from subsidiaries		42.2	169.7
Change in deposits		9.1	(10.7)
<b>Cash flow from investing activities</b>		<b>(124.7)</b>	<b>120.4</b>
<b>Free cash flow</b>		<b>(627.1)</b>	<b>(82.9)</b>
Share capital increase		148.8	476.1
Repayment of lease liabilities	4.5	(91.0)	(77.0)
Proceeds from/(repayment of) loans and borrowings	4.5	560.7	(324.9)
<b>Cash flow from financing activities</b>		<b>618.5</b>	<b>74.2</b>
<b>Decrease in cash and cash equivalents</b>		<b>(8.6)</b>	<b>(8.7)</b>
Cash and cash equivalents at 1 January		10.2	18.9
<b>Cash and cash equivalents at 31 December</b>		<b>1.6</b>	<b>10.2</b>

Unutilised credit facilities for the Parent Company were DKK 462.5m at 31 December 2020 (2019: DKK 321.2m).

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 the income statement as 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.

## 2.1 Revenue

### Accounting policies

The Parent designs and purchases goods for the 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	2020	2019
Retail sale	314.9	460.7
Wholesale, affiliated entities	1,034.3	1,967.7
Franchise	6.2	-
<b>Total</b>	<b>1,355.4</b>	<b>2,428.4</b>

## 2.2 Staff costs

DKKm	2020	2019
Salaries and wages	238.7	250.3
Pension contributions	24.7	26.9
Other social security costs	1.5	1.5
Other staff costs	5.9	7.5
<b>Total</b>	<b>270.8</b>	<b>286.2</b>
Capitalised salaries and wages related to development projects	(5.9)	(10.8)
<b>Recognised in the income statement</b>	<b>264.9</b>	<b>275.4</b>

<b>Average number of full-time equivalents</b>	<b>530</b>	<b>628</b>
--	------------	------------

### Remuneration for the Executive Management and the Board of Directors

Total remuneration, Executive Management*	11.4	25.6
Total remuneration, Board of Directors	1.5	1.2
<b>Total</b>	<b>12.9</b>	<b>26.8</b>

### Remuneration for the Executive Management and the Board of Directors

Salaries and wages*	11.9	24.6
Pensions	1.0	2.2
<b>Total</b>	<b>12.9</b>	<b>26.8</b>

\*2019 includes severance payments.

## 2.3 Special items

DKKm	2020	2019
Transformation program	53.7	48.0
Costs associated with the establishment of new management team	-	25.6
Costs related to the fire on the vessel Maersk Honam	2.8	2.8
Implementation of GDPR	-	0.1
<b>Total</b>	<b>56.5</b>	<b>76.5</b>

## 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, and business plans for the coming years, including other planned commercial initiatives.

Executive Management considers it probable that an amount of DKK 26.2m in tax assets can be offset against positive taxable income in the

near future. An amount of DKK 412.5m in tax assets has been impaired at year-end 2020. The impairment had a negative effect on the income statement of DKK -373.1m in 2020. The tax asset is impairment tested considering expected income for the period 2021 to 2025. Negative effects from COVID-19 have been considered in the expected income.

However, the amount of tax assets not shown on the balance can still be carried forward to be offset against future taxable income after the budgeting period. Of the total deferred tax assets recognised, DKK 19.4m (2019: DKK 108.1m) is related to tax loss carry-forwards.



## 2.4 Income taxes and deferred tax (continued)

### Tax costs

DKKm	2020	2019
Current tax	(0.7)	1.4
Change in deferred tax during the year	(232.8)	(17.1)
Adjustment to deferred tax concerning previous years	0.1	(0.1)
Impairment of deferred tax	373.1	39.4
<b>Total</b>	<b>139.7</b>	<b>23.6</b>

### Tax reconciliation

DKKm	2020	2019
Loss before tax	(1,509.9)	(18.1)
Calculated 22.0% on loss before tax	(332.2)	(4.0)
<i>Tax effect from:</i>		
Withholding taxes	(0.7)	1.4
Non-taxable income and non-deductible expenses	99.4	(13.1)
Adjustments concerning previous years	0.1	(0.1)
Impairment of deferred tax	373.1	39.4
<b>Total</b>	<b>139.7</b>	<b>23.6</b>

<b>Effective tax rate</b>	<b>-9.3%</b>	<b>-130.2%</b>
---------------------------	--------------	----------------

Effective tax rate adjusted for non-taxable income from investments in subsidiaries is -9.0% (2019: -12.6%).

### Deferred tax

DKKm	2020	2019
Deferred tax assets	26.2	159.9
<b>Total</b>	<b>26.2</b>	<b>159.9</b>

## 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.
<b>2020</b>					
Intangible assets	19.6	-	8.4	-	28.0
Right-of-use assets	(87.9)	-	15.2	-	(72.7)
Property, plant and equipment	13.5	-	2.6	-	16.1
Inventories	1.1	-	20.0	-	21.1
Lease liabilities	94.3	-	(15.8)	-	78.5
Receivables from subsidiaries	0.4	-	7.5	-	7.9
Foreign exchange hedging	0.1	-	-	6.7	6.8
Tax losses to be carried forward	132.8	-	186.7	-	319.5
Impairment of deferred tax	(39.4)	-	(373.1)	-	(412.5)
Interest limitation balances	7.7	-	6.5	-	14.2
Other	17.7	-	1.6	-	19.3
<b>Deferred tax</b>	<b>159.9</b>	<b>-</b>	<b>(140.4)</b>	<b>6.7</b>	<b>26.2</b>
<b>2019</b>					
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
<b>Deferred tax</b>	<b>176.2</b>	<b>-</b>	<b>(22.2)</b>	<b>5.9</b>	<b>159.9</b>

## 2.5 Other operating income

### Other operating income

DKKm	2020	2019
Government grants	39.6	-
Other	6.7	2.0
<b>Total</b>	<b>46.3</b>	<b>2.0</b>

### 3.1 Intangible assets

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
<b>2020</b>						
Cost 01.01.	11.8	-	0.8	308.6	24.6	345.8
Additions	-	-	-	0.5	-	0.5
Additions, internal development	-	-	-	-	25.0	25.0
Transfer	-	-	-	29.2	(29.2)	-
Disposals	(6.8)	-	-	(3.1)	-	(9.9)
<b>Cost 31.12.</b>	<b>5.0</b>	<b>-</b>	<b>0.8</b>	<b>335.2</b>	<b>20.4</b>	<b>361.4</b>
Amortisation 01.01.	(0.9)	-	(0.1)	(103.9)	-	(104.9)
Amortisation	-	-	-	(37.5)	-	(37.5)
Impairment losses	-	-	-	-	-	-
Disposals	0.9	-	-	3.0	-	3.9
<b>Amortisation 31.12.</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>(138.4)</b>	<b>-</b>	<b>(138.5)</b>
<b>Carrying amount 31.12.</b>	<b>5.0</b>	<b>-</b>	<b>0.7</b>	<b>196.8</b>	<b>20.4</b>	<b>222.9</b>
<b>2019</b>						
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)
<b>Cost 31.12.</b>	<b>11.8</b>	<b>-</b>	<b>0.8</b>	<b>308.6</b>	<b>24.6</b>	<b>345.8</b>
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
<b>Amortisation 31.12.</b>	<b>(0.9)</b>	<b>-</b>	<b>(0.1)</b>	<b>(103.9)</b>	<b>-</b>	<b>(104.9)</b>
<b>Carrying amount 31.12.</b>	<b>10.9</b>	<b>-</b>	<b>0.7</b>	<b>204.7</b>	<b>24.6</b>	<b>240.9</b>

Net loss from disposals of intangible assets amounts to DKK 6.0m (2019: DKK 0.7m).

## 3.2 Right-of-use assets and lease liabilities

### Right-of-use assets

DKK m	Property	Cars	Other equipment	Store furniture	Total
<b>2020</b>					
Carrying amount 01.01.	401.9	1.0	1.8	0.1	404.8
Additions	7.3	-	-	-	7.3
Adjustment due to remeasurement of lease liabilities	14.6	-	-	-	14.6
Transfers	13.6	-	-	-	13.6
Disposals	(0.5)	-	-	-	(0.5)
Depreciation	(93.4)	(0.4)	(1.3)	(0.1)	(95.2)
Impairment losses	(0.5)	-	-	-	(0.5)
<b>Carrying amount 31.12.</b>	<b>343.0</b>	<b>0.6</b>	<b>0.5</b>	<b>-</b>	<b>344.1</b>
<b>2019</b>					
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 losses	(0.5)	-	-	-	(0.5)
<b>Carrying amount 31.12.</b>	<b>401.9</b>	<b>1.0</b>	<b>1.8</b>	<b>0.1</b>	<b>404.8</b>

Net loss from selling right-of-use assets amounts to DKK 0.6m (2019: DKK 0.6m).

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

#### Lease liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
<b>2020</b>					
Lease liabilities	78.1	224.1	95.9	398.1	358.5
<b>2019</b>					
Lease liabilities	100.2	256.4	112.4	469.0	425.8

	<b>2020</b>	<b>2019</b>
Non-current liabilities	290.8	336.8
Current liabilities	67.7	89.0
<b>Total</b>	<b>358.5</b>	<b>425.8</b>

#### Amounts recognised in profit or loss

DKKm	<b>2020</b>	<b>2019</b>
Depreciation charge of right-of-use assets	95.2	103.5
Interest expense on lease liabilities (included in finance cost)	11.4	12.6
Expense relating to leases of low value assets (included in other external expenses)	-	0.6

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 2020, this amounted to DKK 1.1m (2019: DKK 2.1m), which is included in other external expenses.

The total cash outflow for leases in 2020 was DKK 103.5m (2019: DKK 92.3m).

At 31 December 2020, the Parent is committed to DKK 0m (2019: DKK 0.2m) for short term leases.

The effect from COVID-19 related rent concession in 2020 was DKK 0.6m, which has been included in other external expenses.

### 3.3 Property, plant and equipment

DKKm	Leasehold improvements	Store furniture	Other equipment	Assets under construction	Total
<b>2020</b>					
Cost 01.01.	56.4	44.4	27.7	-	128.5
Additions	0.4	-	7.4	7.7	15.5
Transfers	(16.1)	-	-	-	(16.1)
Disposals	(6.7)	(7.5)	(3.9)	-	(18.1)
<b>Cost 31.12.</b>	<b>34.0</b>	<b>36.9</b>	<b>31.2</b>	<b>7.7</b>	<b>109.8</b>
Depreciation 01.01.	(29.5)	(35.0)	(17.9)	-	(82.4)
Depreciation	(3.8)	(4.6)	(2.3)	-	(10.7)
Impairment losses	(0.7)	(0.1)	-	-	(0.8)
Transfers	2.5	-	-	-	2.5
Disposals	6.0	6.8	3.9	-	16.7
<b>Depreciation 31.12.</b>	<b>(25.5)</b>	<b>(32.9)</b>	<b>(16.3)</b>	<b>-</b>	<b>(74.7)</b>
<b>Carrying amount 31.12.</b>	<b>8.5</b>	<b>4.0</b>	<b>14.9</b>	<b>7.7</b>	<b>35.1</b>
<b>2019</b>					
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)
<b>Cost 31.12.</b>	<b>56.4</b>	<b>44.4</b>	<b>27.7</b>	<b>-</b>	<b>128.5</b>
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
<b>Depreciation 31.12.</b>	<b>(29.5)</b>	<b>(35.0)</b>	<b>(17.9)</b>	<b>-</b>	<b>(82.4)</b>
<b>Carrying amount 31.12.</b>	<b>26.9</b>	<b>9.4</b>	<b>9.8</b>	<b>-</b>	<b>46.1</b>

Net loss from selling or scrapping of property, plant and equipment amounts to DKK 1.4m (2019: DKK 1.8m).

---

## 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 the 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

Following the negative results in 2020 due to the COVID-19 pandemic, impairment tests of investment in subsidiaries have been carried out as per 31 December 2020. The impairment tests are based on value-in-use (discounted cash flow method) using projected EBITDA's for the period 2021–2023. An assumed growth rate of 1% has been applied for the period 2024–2030. The country specific pre-tax WACC is in the range of 11%–19%. The impairment tests show an impairment loss for the

investment in seven entities. Furthermore, the investments in Zebra Stores New England, LLC and Tiger North Ltd. have been fully impaired as the entities are under closing procedures.

### Zebra Japan K.K.

The investment in joint ventures in 2019 and 2020 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, however the impairment test in 2020 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.

**3.4 Investment in subsidiaries and joint ventures (continued)**

DKKm	Investment in subsidiaries	Investment in joint ventures	Total
<b>2020</b>			
Cost 01.01.	796.0	53.1	849.1
Additions	265.7	-	265.7
Disposals	(4.2)	-	(4.2)
<b>Cost 31.12.</b>	<b>1,057.5</b>	<b>53.1</b>	<b>1,110.6</b>
Impairment losses 01.01.	(53.6)	(18.0)	(71.6)
Impairment losses during the year	(137.3)	-	(137.3)
Impairment losses, reversed during the year	3.1	-	3.1
<b>Impairment losses 31.12.</b>	<b>(187.8)</b>	<b>(18.0)</b>	<b>(205.8)</b>
<b>Carrying amount 31.12.</b>	<b>869.7</b>	<b>35.1</b>	<b>904.8</b>
<b>2019</b>			
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)
<b>Cost 31.12.</b>	<b>796.0</b>	<b>53.1</b>	<b>849.1</b>
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
<b>Impairment losses 31.12.</b>	<b>(53.6)</b>	<b>(18.0)</b>	<b>(71.6)</b>
<b>Carrying amount 31.12.</b>	<b>742.4</b>	<b>35.1</b>	<b>777.5</b>

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 the 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 the 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 are classified as current assets, unless an unconditional right to defer settlement of the liability for at least twelve months after the reporting date exists.

#### 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 2020 of DKK 106.6m (2019: DKK 40.9m). The impairment losses in 2020 relates to intercompany receivables from five entities, which primarily due to the COVID-19 pandemic have a declining result. In 2020, an amount of DKK 26.3m (2019: DKK 41.1m) regarding previous years provisions was reversed as the outstanding intercompany amount was no longer considered impaired.

DKKm	Not fallen due	Due between (days)			Total
		1-30	31-90	>91	
<b>2020</b>					
Intercompany loans (interest-bearing)	290.8	-	-	-	290.8
Trade receivables	47.4	16.1	17.9	34.3	115.7
Impairment losses	(124.9)	(0.8)	(2.7)	(28.9)	(157.3)
<b>Receivables from subsidiaries</b>	<b>213.3</b>	<b>15.3</b>	<b>15.2</b>	<b>5.4</b>	<b>249.2</b>
Proportion of the total receivables expected to be settled					61.3%
Impairment rate	36.9%	5.2%	15.2%	84.3%	38.7%
<b>2019</b>					
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)
<b>Receivables from subsidiaries</b>	<b>216.2</b>	<b>81.1</b>	<b>31.7</b>	<b>2.2</b>	<b>331.2</b>
Proportion of the total receivables expected to be settled					88.7%
Impairment rate	16.0%	0.0%	3.9%	0.0%	11.3%

### 3.5 Receivables from subsidiaries (continued)

DKKm	2020	2019
Impairment losses 01.01.	<b>(42.4)</b>	<b>(45.7)</b>
Reversed impairment losses recognised in income statement under 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'	0.5	23.1
Reversed impairment losses recognised in income statement under 'Financial Income'	25.8	18.0
Impairment, during the year recognised in income statement under 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'	(34.6)	-
Impairment, during the year recognised in income statement under 'Financial expenses'	(106.6)	(40.9)
Realised losses	-	3.1
<b>Impairment losses 31.12.</b>	<b>(157.3)</b>	<b>(42.4)</b>

### 3.6 Inventories

The provision for write-downs has been made in the Group to reflect that write-downs materialise in the local companies except for the provision related specific to Zebra A/S.

Management has considered the recoverability of the inventory value and has recognised inventory write-downs of DKK 95.8m during 2020 (2019: DKK 1.4m) due to a combination of lower sales in connection with COVID-19 and a commercial assessment of the future assortment.

DKKm	2020	2019
Finished goods	464.8	688.9
Write-downs	(95.8)	(5.1)
Reclassified to assets held for sale	-	(13.2)
<b>Total</b>	<b>369.0</b>	<b>670.6</b>
Write-downs 01.01.	(5.1)	(223.4)
Write-downs, during the year	(95.8)	(1.4)
Write-downs, utilised during the year	4.1	7.9
Write-downs, reversed during the year	1.0	211.8
<b>Write-downs 31.12.</b>	<b>(95.8)</b>	<b>(5.1)</b>

The carrying amount of inventories at fair value less cost to sell amounts to DKK 0m (2019: DKK 0m).

### 3.7 Other provisions

DKKm	2020	2019
Provisions 01.01.	82.2	18.3
Provisions, during the year	0.4	66.6
Provisions, utilised	(0.6)	(0.7)
Provisions, reversed during the year	(5.5)	(2.0)
<b>Provisions 31.12.</b>	<b>76.5</b>	<b>82.2</b>
Non-current provisions	20.4	23.9
Current provisions	56.1	58.3
<b>Total</b>	<b>76.5</b>	<b>82.2</b>

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, which 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	2020	2019
VAT and other indirect taxes	4.4	10.6
Employee costs	76.9	45.3
Other*	56.6	6.5
<b>Total</b>	<b>137.9</b>	<b>62.4</b>

\*Comparable figures for 2019 have been restated to reflect the reclassification of other loans.

### 3.9 Working capital changes

DKKm	2020	2019
Change in inventories	224.1	359.8
Change in receivables from subsidiaries	84.7	(71.5)
Change in receivables from joint ventures	3.7	(1.8)
Change in other receivables	0.1	18.6
Change in prepayments	(2.4)	(2.0)
Change in trade payables	(96.9)	(329.7)
Change in payables to subsidiaries	115.8	50.1
Change in other payables	60.0	(55.6)
<b>Total</b>	<b>389.1</b>	<b>(32.1)</b>

## 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
<b>2020</b>					
<b>Financial liabilities</b>					
Bank debt	249.8	1,582.9	-	1,832.7	1,606.2
Other loans	14.1	15.3	-	29.4	28.4
Lease liabilities	78.1	224.1	95.9	398.1	358.5
Deferred considerations	63.0	59.0	-	122.0	122.0
Derivative financial instruments	41.3	-	-	41.3	41.3
Trade payables	344.8	-	-	344.8	344.8
Amounts payable to subsidiaries	533.6	-	-	533.6	533.6
Other payables	137.9	-	-	137.9	137.9
<b>Total</b>	<b>1,462.6</b>	<b>1,881.3</b>	<b>95.9</b>	<b>3,439.8</b>	<b>3,172.7</b>
<b>2019</b>					
<b>Financial liabilities</b>					
Bank debt	291.0	1,045.3	-	1,336.3	1,233.9
Other loans	2.8	11.1	-	13.9	13.9
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
Trade payables	464.8	-	-	464.8	464.8
Amounts payable to subsidiaries	231.5	-	-	231.5	231.5
Other payables	62.4	-	-	62.4	62.4
<b>Total</b>	<b>1,162.3</b>	<b>1,312.8</b>	<b>112.4</b>	<b>2,587.5</b>	<b>2,441.9</b>

### 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	2020	2019
<b>Financial income</b>		
Interest on financial assets measured at amortised cost	0.1	0.1
Interest from subsidiaries	11.1	15.1
Commission fee from subsidiaries	0.1	0.5
Gains on derivative financial instruments not designated as hedges	3.5	4.4
Reversal of write-down of receivables from subsidiaries	25.8	24.0
Exchange rate adjustments, net	1.4	-
Other financial income	-	4.7
<b>Total</b>	<b>42.0</b>	<b>48.8</b>
<b>Financial expenses</b>		
Bank charges*	21.7	11.1
Loss from guarantee commitments	29.3	-
Interest on lease liabilities	11.4	12.6
Interest on financial liabilities measured at amortised cost	70.2	78.0
Losses on derivative financial instruments not designated as hedges	1.7	0.4
Impairment losses on investment in subsidiaries	137.9	96.0
Write-down of receivables from subsidiaries	106.6	82.5
Exchange rate adjustments, net	-	2.9
<b>Total</b>	<b>378.8</b>	<b>283.5</b>
<b>Net financials</b>	<b>(336.8)</b>	<b>(234.7)</b>

\*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 01.01.2019	Cash movements financing activities	Cash movements operating activities	Non-cash movements	Liabilities 31.12.
<b>2020</b>						
<b>Financial liabilities</b>						
Bank debt	1,233.9	-	359.8	-	12.5	1,606.2
Other loans	13.9	-	14.5	-	-	28.4
Lease liabilities	425.8	-	(91.0)	-	23.7	358.5
Amounts payable to subsidiaries	231.5	-	186.4	115.7	-	533.6
<b>Total</b>	<b>1,905.1</b>	<b>-</b>	<b>469.7</b>	<b>115.7</b>	<b>36.2</b>	<b>2,526.7</b>
<b>2019</b>						
<b>Financial liabilities</b>						
Bank debt	1,585.1	-	(359.3)	-	8.1	1,233.9
Other loans	-	-	-	-	13.9	13.9
Lease liabilities	-	444.0	(77.0)	-	58.8	425.8
Amounts payable to subsidiaries	147.0	-	34.4	50.1	-	231.5
<b>Total</b>	<b>1,732.1</b>	<b>444.0</b>	<b>(401.9)</b>	<b>50.1</b>	<b>80.8</b>	<b>1,905.1</b>

## 5.1 Assets held for sale

In 2019, the US inventory in Zebra A/S was a part of the envisaged divestment of the US entities and the carrying amount of the inventory, DKK 13.2m, was reclassified to Asset held for sale. In 2020, no assets in Zebra A/S have been reclassified to Assets held for sale. Please refer to note 5.1 to the consolidated financial statements for more information.

## 5.2 Fees to statutory auditor

DKKm	2020	2019
<b>EY</b>		
Statutory audit of financial statements	1.7	0.9
Other assurance engagements	0.3	0.4
Tax advisory services	0.2	0.9
Other services	-	0.1
<b>Total</b>	<b>2.2</b>	<b>2.3</b>

## 5.3 Related parties

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

The Parent has had the following transactions with related parties:

### Subsidiaries and joint ventures

Please refer to note 5.6 to the consolidated financial statements for a list of subsidiaries.

DKKm	Subsidiaries	Joint ventures	Total
<b>2020</b>			
Sale of goods	972.2	50.8	1,023.0
Royalties and service fees	1.2	11.4	12.6
Dividends received	42.2	-	42.2
Interests	11.1	-	11.1
Commitment and facility fees on loans	0.1	-	0.1
<b>2019</b>			
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	15.1	-	15.1
Commitment and facility fees on loans	0.5	-	0.5

During 2020, it was agreed to increase the share capital by new shares, which were subscribed by Zebra Lux with DKK 105m and by Mitco ApS with DKK 45m.

Remuneration paid to key management personnel is included in note 2.2. Furthermore, members of the Board of Directors and key management have not acquired shares in Zebra A/S in 2020 (2019: DKK 2.9m).

### Amounts receivable/payable with related parties

DKKm	2020	2019
<b>Current loans:</b>		
Receivables from subsidiaries, non-current	44.5	64.0
Receivables from subsidiaries, current	204.7	267.2
Receivables from joint ventures	1.9	5.6
Payables to subsidiaries	(533.6)	(231.5)
<b>Total</b>	<b>(282.5)</b>	<b>105.3</b>

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 85.2m (2019: DKK 88.6m). At 31 December 2020, the guaranteed amount constituted DKK 85.2m (2019 DKK 61.1m).

The Parent has guaranteed or provided guarantees for banking facilities, etc. for subsidiaries amounting to a total of DKK 80.1m (2019: DKK 104.6m).

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 8.4m (2019: 8.5m) in order to release the Parent's cargo on the container

carrier. 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 62.0m (2019: DKK 49.8m). 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 (2019: 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 (2019: DKK 25.0m).

The carrying amount of pledged assets is stated below:

DKKm	2020	2019
<b>Pledged assets</b>		
Goodwill	5.0	11.0
Leasehold rights, included in right-of-use assets	5.8	7.2
Trademarks	0.5	0.6
Leasehold improvements	8.4	26.8
Other equipment	15.4	11.5
Store furniture	4.0	9.6
Inventories	369.0	683.8
Receivables	207.6	275.1
<b>Total</b>	<b>615.7</b>	<b>1,025.6</b>

## 5.5 Events after the balance sheet date

Please refer to note 5.5 in the consolidated financial statements.



# 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 2020.

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 2020, the results of the Group and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020.

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, 11 June 2021

## Executive Management

Martin Jermiin  
*CEO*

Christian Kofoed H. Jakobsen  
*CFO*

## Board of Directors

Nikolaj Vejlsgaard  
*Chairman*

Casper Lykke Pedersen

Lars Thomassen

# 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 2020, 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 2020 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 2020 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, 11 June 2021  
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*

Crocodile game  
DKK 20

