Annual Report 2017

Zebra A/S
Strandgade 71-73
DK-1401 Copenhagen K
Central Business Registration
No: 15690488

Annual General Meeting: 24.05.2018
Conducter: Peter Nabben

Zebra A/S

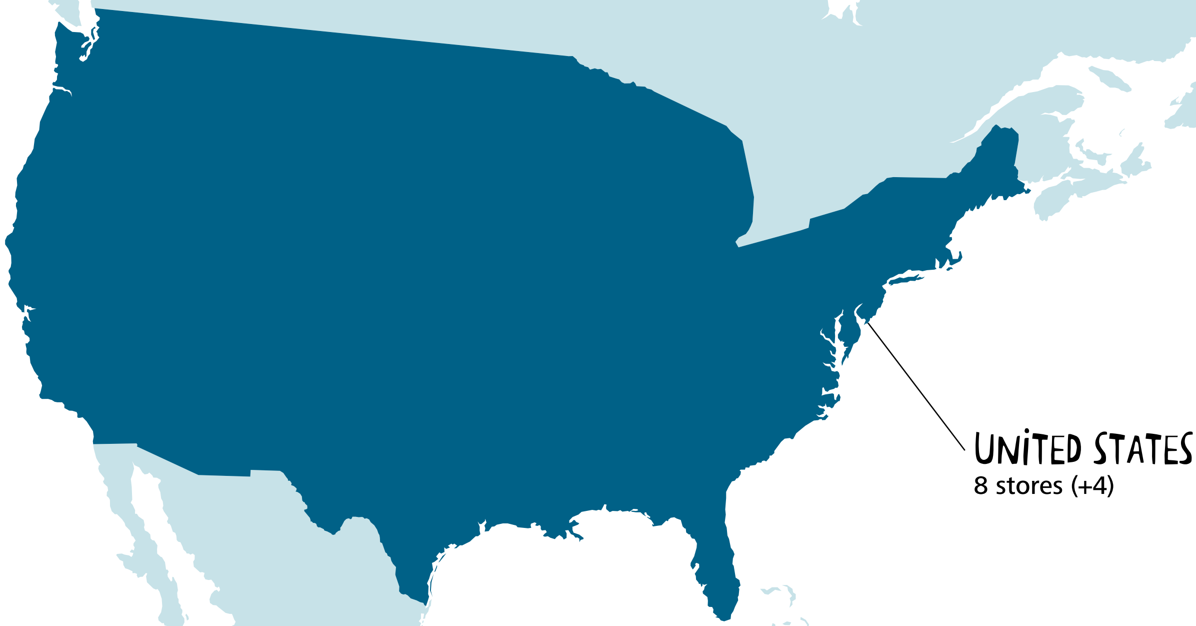
OUR BLUE BOOK

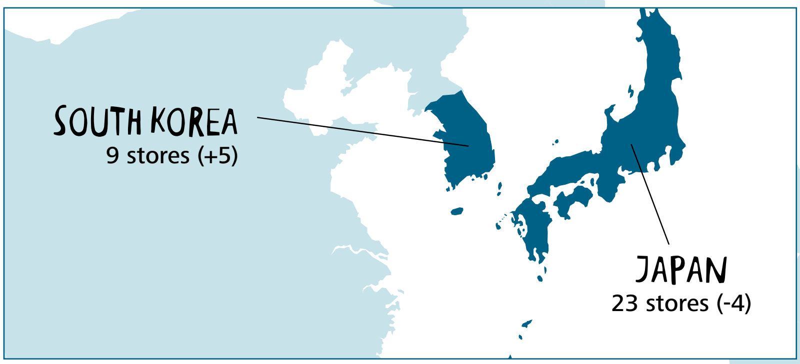
- Founded in 1995 by Lennart Lajboschitz.
- CEO is Mette Maix.
- In our stores you can find things for your home, your hobby, for fun and parties, great gifts and award-winning design. All at affordable prices.
- In 2017 we grew our revenue by 18 percent to more than DKK 5 billion.
- We have 600 different suppliers.
- We have more than 5,800 employees.
- We introduce around 300 fun and useful new products every month.
- There are 75 Flying Tiger Copenhagen stores in Denmark.
- In Spain we have 116 stores, 108 right now in Italy and 89 in Great Britain.
- We have 863 stores in 30 countries across 3 continents.
- During 2017 we opened 2 new Flying Tiger Copenhagen stores around the world – every week.

Content

The world of Flying Tiger Copenhagen

Zebra A/S, the parent company of the Flying Tiger Copenhagen stores, is a rapidly expanding variety retailer founded in Denmark. Our stores offer new, fun and useful products at affordable prices, which are marketed internationally under the Flying Tiger Copenhagen brand name. By the end of 2017 the Group operated 863 stores in 30 countries across Europe, Asia and the United States. During the past year, more than two new Flying Tiger Copenhagen stores opened every week. We constantly work on innovating our product offering and design, and around 300 new products are introduced every month. Our product categories include home, toys, hobby, party, snacks, electronics, gadgets, fashion accessories and more. We keep our stores bright and easy to navigate with our Scandinavian decor being a differentiating characteristic.





Our markets 2017

Total number of stores 2017 (Net new stores 2017)

FLYING NUMBERS

Revenue	Adjusted EBITDA	Stores	Store openings	Countries
5,032	460	863	2–3	30
DKKm	DKKm	incl. Japanese joint venture	every week	across Europe, Asia and the United States

2017 HIGHLIGHTS

Revenue growth	Net store openings
18%	118

Adjusted EBITDA	Return on invested capital
460	14%
DKKm	

Key figures

DKKm	2017	2016	2015	2014	2013
Income statement					
Revenue	5,032.3	4,274.0	3,571.7	2,464.2	1,710.9
Gross profit	3,051.6	2,577.8	2,226.9	1,529.9	1,035.8
EBITDA before special items	380.0	368.2	497.8	364.2	242.3
Adjusted EBITDA[2]	**460.2**	**443.2**	**497.8**	**364.2**	**242.3**
EBIT	89.2	186.7	343.7	286.5	223.9
Result from financial items	(63.5)	(57.9)	(52.4)	(27.2)	(36.2)
Profit before special items, after tax[1]	58.7	92.7	242.5	195.7	116.7
Profit for the year	4.1	82.1	209.8	195.7	147.7
Financial position at 31 December					
Invested capital	1,160.5	1,116.5	846.4	760.5	389.2
Total assets	2,848.4	2,743.5	2,009.9	1,555.9	929.7
Net working capital	111.5	118.0	152.3	318.2	101.9
Net interest-bearing debt[1]	641.0	493.0	94.1	155.2	12.2
Pro forma adjusted equity[3]	**819.2**	**882.3**	**789.5**	**622.1**	**393.8**
Provision for acquisition of non-controlling interests	(352.5)	(490.3)	(850.7)	(704.8)	(363.5)
Accumulated impact from acquired non-controlling interests	(687.5)	(415.6)	(69.1)	(16.8)	(16.8)
Equity	(220.8)	(23.6)	(130.3)	(99.5)	13.5
Cash flow and investments					
Cash flows from operating activities	241.4	261.2	490.2	65.0	139.3
Cash flows from investing activities	(311.2)	(416.2)	(396.9)	(199.8)	(148.6)
Investment in property, plant and equipment	(213.9)	(263.4)	(292.3)	(159.7)	(130.0)
Free cash flow	(69.8)	(155.0)	93.3	(134.8)	(9.3)
Key ratio					
Revenue growth	17.7%	19.7%	44.9%	44.0%	55.5%
Gross margin[1]	60.6%	60.3%	62.3%	62.1%	60.5%
Adjusted gross margin[2]	62.0%	62.1%	62.3%	62.1%	60.5%
EBITDA margin before special items[1]	7.6%	8.6%	13.9%	14.8%	14.2%
Profit margin before special items, after tax[1]	1.2%	2.2%	6.8%	7.9%	6.8%
Profit margin	0.1%	1.9%	5.9%	7.9%	8.6%
Comparable store sales growth[1, 5]	(1.3)%	(4.6)%	2.5%	0.2%	1.9%
Return on invested capital[1]	14.0%	20.4%	47.8%	49.8%	59.9%
Net working capital ratio[1]	2.2%	2.8%	4.3%	12.9%	6.0%
Leverage[1]	1.7x	1.3x	0.2x	0.4x	0.1x
Number of stores, including joint ventures	863	745	585	411	289
Adjusted EBITDA margin[2]	9.1%	10.4%	13.9%	14.8%	14.2%
Pro forma consolidated financial information[4]					
Pro forma revenue	5,126.5	4,415.2	3,726.2	2,562.8	1,735.0
Pro forma adjusted EBITDA[2]	463.5	445.2	497.0	371.1	245.3
Pro forma adjusted EBITDA margin	9.0%	10.1%	13.3%	14.5%	14.1%

[1] Key figures are defined in "Definition of key figures and ratios" on page 89.
[2] Adjusted EBITDA, adjusted EBITDA margin and adjusted gross margin excludes extraordinary writedowns and scrappings of DKK 70.4m recognised in Cost of sales (2016: DKK 75.0m) and associated costs of DKK 9.8m recognised in Other external expenses (2016: DKK 0m) as described on page 19.
[3] The calculation of the pro forma adjusted equity is described in note 4.2.
[4] Pro forma consolidated financial information reflects a pro forma proportionate consolidation of the 50% owned Japanese joint venture.
[5] Comparable store sales growth according to previous definition; 2016: (6.4%), 2015: 0.3%, 2014: (1.0%), 2013: 1.0%.

NEW EXECUTIVE MANAGEMENT

Read Mette's welcoming letter on page 10

A new Executive Management team was in place by August 1, 2017, consisting of Mette Maix as CEO and Carsten Fensholt as CFO and EVP of Business Support. Between them they bring more than 25 years of retail experience from Danish and international companies to the Group.

Since joining the company, Mette and Carsten have spearheaded a strategic redirection, ensuring that Flying Tiger Copenhagen exited 2017 on a more positive note than we entered it, not least because of a better fourth quarter compared to last year. 2017 has been a transformative year, where we have refocused our customer promise and 2018 already looks very positive.

We have laid out the roadmap for future success, rediscovering the heart and core values of the company and further strengthening our concept – all in wonderful cooperation with our energetic and engaged partners.

Together with all the hard-working employees, we continued the impressive international growth and embarked on an exciting adventure into new markets. We have signed with our first North American partner and look forward to North America becoming one of the biggest markets for the company.

Mission and strategy

Welcome to the world of Flying Tiger Copenhagen. Here, we love fun, social activity and parties. And we love love. Our mission is to inspire people to make the things they care about happen.

We want to ensure the long-term success of the Group by expanding our market presence and by daring to be different. We love to put a smile on peoples' faces while giving them the things they need, the things they dream of and the things they didn't even know existed. All at affordable prices.

We design products that inspire people to spend time together. This is why we strive to continue to find unique and relevant products for our customers, refine our brand, and further develop our concept.

The history of Flying Tiger Copenhagen

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

On the opening day our founder handed out coffee and cookies, and often on Saturdays there was a magic show for the children who came into the shop with their parents. So even back then, Flying Tiger Copenhagen was not only about products, it was also about giving people experiences to share with their loved ones, about products as catalysts for experiences. We still believe that relationships and experiences are what make people happy. And ultimately happiness is what we want to give to our customers.

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, not even 25 years later, we are a variety retail concept with 863 stores across 3 continents and 30 countries. Our revenue has surpassed 5 billion DKK, and we have +5,800 fantastic employees.

Flying Tiger Copenhagen's mission is to give the unexpected, while selling unique, relevant and fun products for every occasion. We want to be a catalyst for peoples' dreams and ideas. That is why we put a great deal of thought into each product we select and design, using materials, colours and graphics to add emotional value to functional objects.

To us it is imperative that our products stimulate personal relationships. Be it when you are preparing a picnic beneath the tree tops with your friends or the annual Christmas lunch with your loved ones, spending a fun and playful weekend with the kids, or redecorating your home or garden. Whatever the occasion, we help bring ideas to life.

PICK-UP STICKS
DKK 30

HI THERE!

I'm Mette Maix, and I'm the CEO at Flying Tiger Copenhagen. This is my first annual report, as my adventure with this unique company began in August 2017.

First of all I want to thank you very much for taking the time to read our annual report. I hope you will find what you are looking for and feel you have gotten to know us a little bit better when you are done reading.

Since my first day here, I've been thrilled to go to work in a company that makes a very tangible difference in peoples' lives. A company that enables customers to go on a treasure hunt in our stores, leaving inspired and happier – without having spent a fortune. And a company that makes Easter and Christmas cozier and the summer holidays more fun for both children and adults. I can honestly say that I've never experienced anything like it.

2017 has been a year of transformation for us. And a year of rediscovering our direction. While it has been a year of transition, it has also been a year of great achievements, new beginnings and a lot of hard – and fun – work. For this I would like to thank both our partners and all our fantastic employees.

Without them, Flying Tiger Copenhagen wouldn't be what we are: A company on a mission. A mission to strengthen relationships between people. A mission to make people happy. And a mission to inspire. I have the utmost respect for my colleagues. Their enthusiasm and dedication is unlike anything I have ever seen. I hope you feel that too when you visit our stores.

In 2017 we have brought the past into the future, so to speak. We've outlined a new direction by rediscovering the roots of the company. We are already starting to see the results, as we exited 2017 much better than we started it. A tendency that has continued in the early months of 2018.

I am very enthusiastic about the future and confident that we are on the path to even greater things. And I look forward to sharing a lot of exciting news with you in 2018. New markets, more store openings and a lot of fun, crazy, and useful new products.

Flying Tiger Copenhagen has been around since 1995. But we've only just begun our journey.

/ Mette Maix

We renew our product range by creating trends – not by copying them. Everything we surround ourselves with has a personality and a presence that affects our senses and influences how we experience the world.

When we meet you in our store, it's not an employee meeting a customer. It is two human beings meeting each other. And it is our aim that you feel welcome. We hate the slick, love the sincere and thrive to assist your every need when in our stores.

Returning to the roots

2017 was a year of rediscovering our roots and bringing the past into the future. During the past year we have taken a strategic decision to concentrate more on the less expensive price points – focusing more on products that cost DKK 10, 20 or 30. Already, we can see that our customers like the new focus. They are filling up their baskets and leaving happier, inspired, and satisfied – without having spent a fortune.

We design our own products

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

Through continuous retail insight and monitoring new trends, we aim to maintain a fresh and relevant product assortment that appeals to our customers.

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

The seasonal campaign products are complemented by our fixed assortment consisting of around 700 products that are relevant across seasons.

As awarded by The Chicago Athenaeum:
Museum of Architecture and Design

GOOD DESIGN

AN INNOVATIVE IDEA

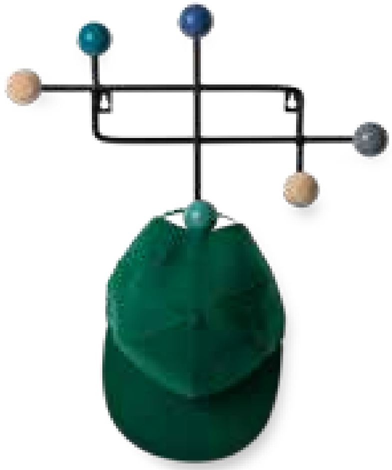
We have won a lot of international design awards for a range of different products through the years. In 2017 we took home yet another, when one of our designers was inspired by her 10-year-old son Hugo when designing an upright standing buttering knife, ensuring the knife wouldn't make the table smeared with butter and jam. An innovative idea – turned into a useful, beautiful everyday product – in the best Flying Tiger Copenhagen design tradition.

Sourcing

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

All products go through our product safety process, which coupled with our test programme seeks to ensure 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.



COAT HANGER
DKK 40

Logistics

On a daily basis we handle more than 70,000 boxes and ship more than 1,500 pallets. This means that in one year we can pave the way from Copenhagen in Denmark and the 315 kilometres to Gothenburg in Sweden with wooden pallets. We love logistics.

An efficient logistics operation providing our stores with on-time deliveries is a corner stone in our business. We work with a number of logistics providers to ensure scalable and cost efficient operations around the globe. In 2017, our logistics centers in Copenhagen (DK), Raunds (UK), Barcelona (ES), New Jersey (US), Shanghai (CN), Shimizu (JP) and Icheon (KR) shipped more than 500,000,000 pieces to our stores.

Stores

Every week we open two to three new stores around the world. We have been doing so for several years – and we intend to keep on doing so in the future as well. We have big plans and expansion is an integral part of our strategy – both in well-known markets and in completely new ones.

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^2 of selling space. The store appears open and light, laid out in a maze, simple to navigate, enabling the customer to seek inspiration and discover the full range of products as they go along, while the friendly, recognisable music creates a welcoming atmosphere.

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

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

HOODED BATH TOWEL

DKK 50

Corporate backbone

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

Financial and operating model

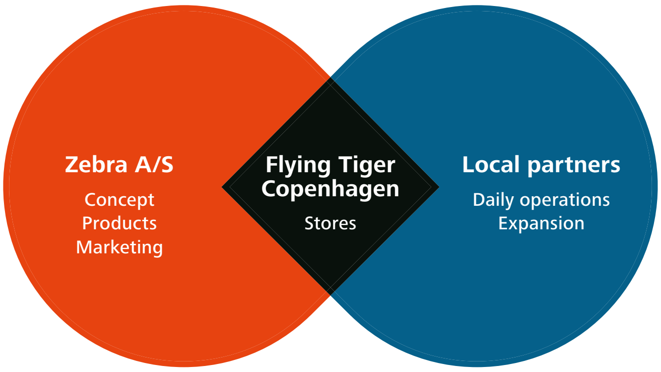
We have an operating model with a governance structure anchored around our management team. Management monitor and review the business units' operational and financial performance, aiming to proactively take advantage of opportunities as well as address potential challenges in our markets.

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

We look to free up capital for further store expansion and future partner buy-outs. 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.

SHOWER GEL
& HAND SOAP
FROM DKK 15

Partner model



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

A jointly owned local company is set up, and Zebra shares investments, costs and profits with the local partner. In other words, the cooperation is a business partnership, not a franchise operation. The partnership is assigned a certain territory, with the size of the territories ranging from a region to an entire country.

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

Increasing the store footprint in existing markets is also part of the expansion strategy, which is achieved through partnerships or fully owned subsidiaries.

FAN

DKK 30

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

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

It is part of Zebra's strategy to take full ownership of the local operating companies when this is assessed to be more beneficial than the partner model. Zebra's operating companies in Denmark, Faeroe Islands, Southeast and Northern England, the Netherlands, Sweden, Finland, Iceland, Scotland, United States, most of Poland as well as Barcelona, Madrid, Mallorca and Valencia in Spain, and Berlin, Munich and the Northern part of Germany are all fully owned. Furthermore, during 2017, Zebra took over six partners' shares in territories pertaining to Ireland, Northern Ireland, Northern Italy and the remaining parts of Germany and Poland.

LAMP
DKK 70

EXPANSION IN UNITED STATES

Halløj
We are David Lockwood and Jason Cass – Flying Tiger Copenhagen's newest partners. Over the coming years, we will grow the successful North American store footprint with locations in the New England region.

Our love for Flying Tiger Copenhagen began in London a number of years ago. Intrigued by the unique offering and exclusive designs – not to mention the enthusiastic word of mouth from Londoners – we knew immediately Flying Tiger Copenhagen would be a great success in the United States.

The continual introduction of new products and designs plus vibrant in-store experience will resonate with consumers across North America. Flying Tiger Copenhagen brings people together. The fun is in the thrill of the hunt and it changes every day.

We are retail veterans, having launched a new-to-market concept with premium paint and wallpaper brand Farrow & Ball's first North American showroom. Over the years we established and managed a retail network of 50 plus stores in both owned and stockist locations.

Now, bringing Flying Tiger Copenhagen to even more North American customers is what we spend all our time on. Focusing on Massachusetts and Connecticut, we have already targeted the first four locations in Greater Boston. Grand openings are scheduled for autumn 2018 and plans are well underway to build on Flying Tiger Copenhagen's success in the United States.
We look forward to seeing you at our stores later this year.

Operating and financial review 2017

In 2017, we reached revenue of DKK 5,032m, which is an increase of 18% compared to 2016 and mainly due to the expansion of our international store network. Adjusted Earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") amounted to DKK 460m compared to DKK 443m in 2016, while profit for the year ended at DKK 4m, compared to DKK 82m in 2016.

The Board of Directors and the Executive Management view the overall operational and financial performance of 2017 as unsatisfying. But the initiatives launched in the beginning of the year to increase the share of lower product price points in our assortment to underline our focus on affordable products and the new Executive Management team's business improvement program ensured a significantly better performance in the second half of 2017.

In 2017, we experienced a continued high USD exchange rate, resulting in higher purchasing cost for goods bought in China that impacted earnings negatively. The USD rate decreased in the latter part of the financial year, but due to our hedging policy, we will not see a positive impact from this before late 2018. Applying end of 2017 USD rates, the EBITDA would have been around DKK 93m higher. Furthermore, Management estimates that the development in the GBP rate, NOK rate and SEK rate negatively impacted the result by DKK 25m in 2017.

Operational issues also had a negative impact on the results for 2017. In the beginning of 2017, we had some issues around deliveries to the stores due to implementation of a new ERP system at central HQ and our warehouses. In addition, the focus on increasing the share of lower price points was the key factor behind the negative Like for Like (LFL) growth in the 1H of 2017. Overall comparable store sales were -1.3% but were positive in the 2H of 2017 and we expect to continue and improve this trend in 2018. A new ordering and range planning process was implemented to improve campaign execution and inventory management. Due to product order lead times, these improvements did not come into effect before November 2017, which is why we will not see the full positive effect of these changes before 2018, where we expect it to have a positive influence on the financial review.

NOTEBOOKS
FROM DKK 20

In 2017, we had ordinary inventory writedowns at the warehouses of DKK 21m compared to DKK 35m in 2016 and DKK 17m in 2015. In addition, we had extraordinary inventory writedowns and scrappings of DKK 70m in 2017 originating from Management's renewed assessment of old stock that resulted in an extraordinary writedown of DKK 75m in 2016. Cost related to storage and handling of the old stock of DKK 10m was also reported as extraordinary.

Doll's house
DKK 150

EXAMPLES OF OUR PRODUCT DESIGN

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

Unicorn with light,
changes colour,
DKK 60

Award winning
wall storage organiser
from DKK 10

Wooden boxes,
2 different sizes,
from DKK 30

Bicycle vase
DKK 15

Revenue Development

Total revenue for 2017 was DKK 5,032m, an increase of 18% compared to 2016. The increase was driven by net new store openings in 2017 and the full-year effect of stores opened in 2016, contributing with approximately 10.4 percentage points and 9.9 percentage points of revenue growth, respectively, while comparable store sales growth was -1.3%.

In 2017, we opened net 122 stores (net 118 new stores including the Japanese joint venture). 19 stores were closed (25 stores including the Japanese joint venture) as part of the ongoing optimisation of our store footprint.

More than 29% of the new stores were opened in our five largest markets, which generated 59% of total revenue. In 2017, Italy was the largest contributor to revenue followed by the United Kingdom, Spain, Denmark and Sweden.

Another milestone was reached on July 21 when we opened store number 800 in Reims, France. By the end of 2017, we operated 863 stores across 30 countries and 3 continents. We believe the potential for further store expansion is significant across the globe.

Development in Earnings

In 2017, the gross margin increased from 60.3% in 2016 to 60.6% in 2017, mainly driven by a slight decrease in total writedowns of stock at the warehouses. The adjusted gross margin slightly decreased in 2017 to 62.0% from 62.1%.

Operating costs (staff costs and other external expenses) were DKK 2,680m in 2017 compared to DKK 2,210m in 2016, representing 53.3% of revenue in 2017 compared to 51.7% in 2016. The absolute increase was primarily driven by the opening of new stores, full-year impact of stores opened in 2016 and further strengthening of the corporate backbone.

Adjusted EBITDA amounted to DKK 460m compared to DKK 443m in 2016. The result comes from an increase in revenue driven by the net store expansion and partly offset by the -1.3% LFL in existing stores. Earnings before interest and tax (“EBIT”) amounted to DKK 89m compared to DKK 187m in 2016.

Profit before special items, after tax amounted to DKK 59m compared to DKK 93m in 2016, down 37% primarily driven by the increase in amortisations, depreciations and a higher effective tax rate offsetting the increase in EBITDA.

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

Net Working Capital (NWC) decreased in absolute terms from DKK 118m in 2016 to DKK 112m in 2017 and NWC as a percentage of revenue decreased from 2.8% in 2016 to 2.2% of revenue in 2017. The decrease was driven by higher trade payables and other payables partially offset by higher inventory levels, due to the increase in stores. Total inventory per store decreased due to improved stock management. Cash flow from investing activities improved from DKK -416m to DKK -311m, primarily

Top markets in 2017

	Revenue (DKKm)	Growth (%)	Net new stores
Italy	932	24%	12
UK	683	1%	1
Spain	591	10%	14
Denmark	507	-5%	2
Sweden	245	7%	6
Subtotal	2,958	8%	35
Total	**5,032**	**18%**	**118**

EBITDA

DKKm	2017	2016
EBITDA before special items	380	368
Extraordinary writedowns and scrappings	70	75
Extraordinary stock costs, OPEX	10	-
Adjusted EBITDA	**460**	**443**
Adjusted EBITDA margin	9.1%	10.4%


COLOURED PENCILS
36 PCS. DKK 40

driven by decreasing investments related to slightly fewer openings, of new stores in 2017 compared to 2016 and lower investments in the corporate backbone including continued investments in our new ERP system.

Free cash flow ended at DKK -70m compared to DKK -155m in 2016 because of the lower investment level. Net interest-bearing debt was DKK 641m at the end of 2017, compared to DKK 493m in 2016. The buyouts of partnerships in 2017 impacted the net interest-bearing debt with DKK -41m.

In 2017, we achieved a return on invested capital of 14.0%, down from 20.4% in 2016. The invested capital increased from DKK 1,117m in 2016 to DKK 1,161m in 2017, driven by several factors slightly offsetting each other.

Provisions for the acquisition of non-controlling interest and equity

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

The exercise prices are determined by reference to contractually defined EBITDA multiples. The calculation of the provisions under IFRS for the put options is based on the general assumption that the partners all exercise their put options at year-end 2017 with the agreed notice period of 12 months. When an entity with non-controlling interest is expected to grow EBITDA the fair value adjustment of the provision will increase more than the increase in retained earnings from the net results of the fully consolidated non-controlling interests thereby resulting in a net negative impact on the consolidated equity.

In 2017, the provisions for acquisition of non-controlling interests (non-current and current in total) decreased to DKK 353m from DKK 490m in 2016. The decrease was driven by the takeover of partnerships, mainly our partnership in northern Italy. By the end of 2017 the Group had acquired partnerships for accumulated DKK 687m.

Equity

DKKm	2017	2016	2015	2014	2013
Pro forma adjusted equity	**819**	**882**	**790**	**622**	**394**
Provision for non-controlling interests	(353)	(490)	(851)	(705)	(363)
Acquired non-controlling interests (accumulated impact)	(687)	(416)	(69)	(17)	(17)
Reported equity under IFRS	**(221)**	**(24)**	**(130)**	**(100)**	**14**

GRAPHIC DESIGN APPLIED TO A RANGE OF PRODUCTS FROM DKK 10

RAIN PONCHO
DKK 30

Adjusted for the accumulated impact of acquired non-controlling interests as well as provisions for existing partnership agreements, the pro forma equity was DKK 819m by the end of 2017. The decrease in pro forma equity of DKK 63m was mainly driven by fair value adjustments and realized hedging instruments, net of tax of DKK -54m via other comprehensive income as well as dividends to non-controlling interests of DKK 39m but partly offset by share capital increase of DKK 24m.

Japanese joint venture

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

Revenue decreased by 19% in reporting currency from DKK 336m in 2016 to DKK 272m in 2017. In local currency, revenue fell 15% to JPY 4,631m. The revenue development was driven by net closing of four shops (six closings and two openings), taking total number of stores to 23.

The negative EBITDA in the Japanese joint venture in 2016 of DKK -1m slightly improved to positive DKK 7m (including royalty and service fee payments to Zebra in 2017 and 2016 of DKK 15m and DKK 22m, respectively) driven by improved operations. NWC improved from DKK 41m in 2016 to DKK 40m in 2017. We still consider the Japanese market attractive and together with our partner we are making progress with our turnaround plan, which includes a shift towards a smaller/medium store size, closure of unprofitable stores as well as various pricing and sourcing initiatives. It is a key priority to improve the Japanese joint venture’s financial performance and we saw the first positive effects with positive sales Like-for-Like at the end of 2017.

Organisation and Management

In January 2017, Michael Hauge Sørensen took over as interim CEO of the Group replacing Xavier Vidal. Michael Hauge Sørensen has been part of Zebra’s Board of Directors since 2013 and led the company until the new CEO, Mette Maix, started August 1 2017. In addition, the former CFO Henrik Skov was replaced by the new CFO Carsten Fensholt from May 15 2017. The new executive management team implemented a new organisational structure in September 2017 and as a consequence several members of the senior management team were replaced.

Outlook for 2018

In 2018, Zebra expects to continue the growth trajectory, primarily driven by store roll outs in existing geographies, but also expansion in to new states in the United States. Overall, revenue is expected to grow in line with 2017, while we expect an increase in earnings.

Pro forma revenue

DKKm

5,127

in 2017

FSC

PROMOTING SUSTAINABLE FORESTS

We want to offer our customers a wide choice of sustainable paper and wood products. This is already the case today for our notebooks, gift paper, napkins, paper cups, etc. and we will continue to introduce more products originating from sustainable forestry. To support this further, Zebra became FSC certified and members of the FSC (Forest Stewardship Council) Denmark in 2017.

Going forward, the FSC trademark will be added to the relevant products. The worldwide FSC organisation and its certification scheme not only focuses on the forests but also on those living in and from them: by protecting plant and animal species, indigenous peoples' rights, forest workers' safety, and much more.

License Code: FSC-C135256

Corporate social responsibility

Our commitment

We want our customers to know that when they buy a product from Flying Tiger Copenhagen, we strive to ensure that it has been produced in respect of ethical, environmental and social standards and is safe to use. We believe this is critical for the success of our company, to protect our brand and to advance better social and environmental conditions in global supply chains. Consequently, our commitment to conduct our business ethically and responsibly cuts across the full value chain from sourcing to shipping and sales in stores.

Our responsibility framework 'It's about caring' unites our five priority areas:

1. People **2.** Products **3.** Planet **4.** Partnerships **5.** Policies

Each year our management conducts a materiality assessment to map key impact and risk areas in our value chain. The resulting prioritised list of key issues feeds into our strategy and is translated into concrete activities under our five priority areas as described below.

IT'S ABOUT CARING

1. People

To maintain the growth trajectory, Zebra relies 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. We enjoy great diversity in our corporate body – employing people with a wide range of nationalities and educational backgrounds. Zebra offers our people an engaging workplace with equal opportunities for all.

It is our responsibility to build the competencies of our colleagues. Zebra has a group HR function that supports the local operating companies behind the Flying Tiger Copenhagen stores. All district managers and store managers are enrolled in our international management training programme, which combines face-to-face training by the Zebra HR Group function and local roll-out via a "train the trainers" kit. Among otherthings, the training teaches how to apply our values in the management of employees.

2. Products

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

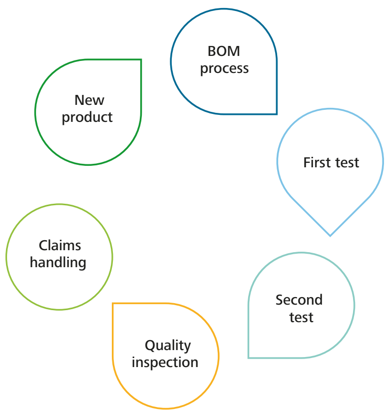
We do not produce the products ourselves and in 2017, we purchased products from approximately 600 suppliers worldwide. Approximately 60 percent of these are based in China; approximately 30 percent are based in the EU and the remaining 10 percent are spread across the world. Most of our direct suppliers 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.

During 2017 a strategic project to reduce the tail of small suppliers has been conducted to strengthen partnerships with our largest trading companies. The objective has been to ensure more effective supplier management and compliance with our requirements.

Safe products

All products go through our product compliance process to ensure they are safe and compliant. This means that all materials must be approved prior to purchase through our Bill of Material (BOM) approval process. The BOM process is complemented by our test programme through which we ensure that our products are tested for hazardous materials. With very few exceptions, all our products are tested in the sample phase. For those products considered to be high risk, e.g. toys, electronics and food-contact products, 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 a number of areas, we go beyond the legal requirements. This means that we for instance prohibit chemicals like triclosan, formaldehyde, phthalates (all types of phthalates), formamide, heavy metals and coating materials that are based on halogens (bromine, chlorine, fluorine etc.).

Product safety process



- A new product is developed.
- Through the Bill of Material (BOM) process all materials of a product are reviewed and approved.
- Products are tested in the sample phase to ensure there are no hazardous materials in the product.
- Tests are repeated for high-risk products during mass production.
- Inspectors check selected products to ensure they have the right quality.
- Claims are logged and analysed. Learnings feed into the development of new products.

Product safety

In 2017, we have focused on two areas in addition to the development and kick-off of our Quality Programme:

- Strengthening and refining our product compliance process even further, including the tools applied in the process.
- Closer collaboration with our key suppliers to improve their capabilities to understand and meet our compliance and quality requirements.

Zebra Quality Programme

With a strategy of improving the quality of our products, Zebra developed a Quality programme focusing on physical inspections during production. A team of quality inspectors, a quality manager and supporting personnel was established in Shanghai. Selection of the products subject to quality checks and description of the quality check points are performed at the headquarters in Denmark, but the inspections and handling are done by the local team and in the local language.

In Q4 2017, a total of 141 inspections were executed. The result is better quality for the inspected products but the inspections also create a higher awareness of our quality standards among our suppliers, leading to a continuously higher quality level for all products.

Responsible sourcing

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 working conditions.

We have an ongoing focus on continuously improving our social compliance process and our performance. In 2017, we have focused on strengthening our process by introducing an audit management tool linked to our product compliance process, allowing for a systematic and more thorough process. The process follows three steps.

FACE PAINT
DKK 30

Our Social Compliance Process:

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

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

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

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

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

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 Zebra, and the factory must go through a re-audit to verify improvements. Re-audits are semi-announced or unannounced. Factories that present severe zero-tolerance issues are rejected (e.g. use of child labour, forced labour, severe safety and human rights issues, attempted bribery of auditor).
   In some cases, where good faith and procedural errors can be verified, the factory is put through a requalification process which includes training, a strictly monitored improvement plan and a re-audit.
   In case a supplier and/or factory is unwilling to improve, we will stop the collaboration permanently.

In 2017, we conducted 344 audits and re-audits among our suppliers in Asia.

EGG CUP, BUTTERING BOARD WITH KNIFE AND TOWEL HOLDER
FROM DKK 10

Supplier engagement and capability building

We consider our internal product and social compliance processes critical tools 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 2017, we took a big step in enabling a closer engagement with our suppliers by establishing a local Zebra office in Shanghai. Initially, the office will host our quality and social compliance teams to further strengthen our quality and social compliance programmes.

Also in 2017, we repeated a week of intensive product compliance, quality and social compliance training in Shanghai with 30 of our key suppliers, responsible for a large amount of our annual procurement. The training included practical instructions on our requirements within product compliance, quality and social compliance as well as guidance on how to build management systems to monitor and promote performance among their core suppliers. We believe this cascading of capacity building and management systems is a precondition for sustainable change, and as such a strong supplement to verification via Zebra audits and controls.

Within CSR the annual training is complemented by individual dialogue meetings with our absolute top 4 suppliers responsible for more than 30% of annual procurement, throughout the year. Furthermore, bespoke training of these suppliers' core manufacturers is an integral part of our preventive and corrective action activities. During 2017 we conducted trainings of more than 60 factories.

3. Planet

Our Environmental policy expresses our commitment to protect the environment and the climate by minimising our negative impact. A significant part of our impact derives from production in our supply chain. Consequently, our Supplier Code of Conduct further specifies our requirements for the environmental awareness and conduct of our suppliers.

Apart from seeking to minimise impact in the supply chain, we focus our resources where Zebra, as a retailer, has the highest impact. This includes reducing energy consumption in stores and offices, sourcing sustainable forestry products and minimising food- and other product waste via donations, as described below.

Sustainable forestry products (FSC)

In 2017, Zebra became FSC certified. With the certification and our membership of the FSC, we support the promotion of forests managed with consideration for people, wildlife and the environment. Among other things, FSC certification entails protection of biodiversity, and respect for the rights of local people as well as the people working in the forest: including that workers are properly trained, have decent health and safety conditions, and receive fair wages.

Notebooks, gift wrapping, napkins, and paper cups are all part of our portfolio of FSC certified products, although not all carry the FSC logo yet. This will be gradually implemented during 2018. In 2018, customers will increasingly be able to identify the products, as new labelling with the FSC logo is being developed and implemented. It is our ambition to gradually expand the range of FSC certified wood and paper products even further in the coming years. When it comes to store furniture, we have promoted use of sustainable wood since 2012. At the end of 2017, approximately 96% of our stores have furniture made of FSC certified wood.

Carrier bags

To minimise plastic waste and support a more sustainable plastic lifecycle, we have initiated a transfer to carrier bags based on 80% recycled materials. In 2018, all our plastic carrier bags will be of this type.

Energy

To minimise the environmental footprint of our stores, we began replacing traditional bulbs with LED bulbs back in 2013. Today we require that all new and refurbished stores install LED lighting. By the end of 2017, approximately 80% of our stores use LED bulbs.

SALAD CONTAINER
(WITH FORK AND DRESSING CUP)
DKK 20

4. Partnerships

Combating food waste

In 2015, we partnered with the NGO, The Danish Food Bank. Through this partnership we ensure that surplus food products in our warehouses are offered as donations when the expiry date approaches. Inspired by this success, today our warehouses in the UK and Spain have partnered with the equivalent national members of the Federation of European Food Banks. In 2017 we donated food products of a total retail value of approximately DKK 3.4m.

Charity donations

As a global company, we want and can do good for the communities where we operate. This includes creating employment and stores engaging in local charitable activities. At corporate level, we have partnered with, among others, the Red Cross in Denmark, the UK and Spain, as well as In Kind Direct in the UK. We donate a wide range of products to the organisations who then distribute further to people in need. For instance, via our collaboration with In Kind Direct, 452 charities across the UK have benefitted from our products, the majority focusing on child/youth care and community projects. From our warehouses in the EU, we have donated products of a total retail value of DKK 23.4m.

5. Policies

Consistency and transparency is a key pillar in any responsibility work. We use our responsibility policy framework to clarify our positions, guide our decision-making and define expectations for our business partners. The framework comprises policies on business ethics, human rights, product safety and the environment. Within responsible sourcing, our Supplier Code of Conduct is the leading document. It has been complemented by policies on animal welfare, child labour and young workers, as well as home-workers. In 2017, we published our first transparency statement according to the UK Modern Slavery Act.

Business Ethics

Our Business Ethics Code of Conduct outlines the ethical expectations to our employees. The Code is signed by all employees at Zebra A/S, all partners and subsidiaries, including their Headquarter staff, district and store managers. All our partners and the majority of employees in leadership positions at Zebra A/S have received face-to-face business ethics training.

HAIR BAND
DKK 20

Corporate governance

Corporate governance practices at Zebra

Zebra strives to comply with generally accepted corporate governance principles as required under the Danish Companies Act, the Danish Financial Statements Act, IFRS as well as internal rules and procedures described in the Company's Rules of Procedure for the Board of Directors and for the Executive Management. As Zebra is controlled by a member of the Danish Venture Capital and Private Equity Association ("DVCA"), the company also strives to comply with the corporate governance guidelines issued by DVCA. These guidelines are available on www.dvca.dk.

LUNCHBOXES
DKK 20

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

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

Board and Executive Management

In 2017 the Board of Directors had seven members and held six board meetings. Each meeting lasted at least a day, ensuring enough time for performance discussions as well as adressing critical and strategic issues. Key topics of discussion this year related to category management, ERP implementation, driving sales and operational scale, general expansion as well as the company's strategy.

There were no changes in the composition of the Board during 2017. However, in February 2018 the Board of Directors was extended to eight members by appointment of Margaret McDonald. Margaret brings extensive international retail experience mainly from the apparel/fashion industry.

FLOWER POT
DKK 15

During 2017, the Executive Management team was changed as Carsten Fensholt was appointed CFO replacing Henrik Skov, and in August 2017 Mette Maix was appointed CEO, replacing Michael Hauge Sørensen as interim CEO. Michael Hauge Sørensen remains a member of Zebra's Board of Directors.

Audit Committee

The current members of the Audit Committee are Michael Hauge Sørensen (Chairman as of August 2015), Jacob Bier and Morten Hummelmose.
The purpose of the Committee is to assist the Board of Directors with the following:

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

The Audit Committee meets as often as the Committee deems appropriate, however no less than twice a year. In 2017, the Audit Committee met three times. Key topics of discussion included financial reporting and other internal processes, ERP implementation, CSR activities, cyber security, insurance and general compliance.

Internal control systems

The responsibility for maintaining an adequate and efficient internal control environment in connection with financial reporting is vested with the Executive Management. The Audit Committee has reviewed the Group's control environment and together with the Board of Directors concluded that it is adequate for a company with Zebra's size and set-up. In 2018, Zebra will continue to strengthen its control environment both in the local operating companies as well as on Group level.

Ownership and capital structure

EQT holds approximately 70% of the shares in Zebra A/S through Zebra Lux Holding S.a.r.l. Approximately 28% of the shares are held by Mitco ApS, which is controlled by Lennart Lajboschitz, and approximately 2% of the shares are held by the members of the Board of Directors, the Executive Management and a small number of senior Zebra employees.

Diversity

Zebra aims to offer equal opportunities to men and women across its organisation, and it is company policy to promote equal opportunities regardless of gender, ethnicity, race, religion and sexual orientation. When it comes to gender, Zebra aims at a balanced distribution among employees in leadership positions. Zebra's management is currently composed of 53% male and 47% female members. Zebra defines management as district leaders, country managers, partners as well as managers at headquarters. Relevant professional qualifications remain the key selection criteria for all positions in the Zebra organisation, and Management will continue to focus on diversity and to evaluate the need for initiatives within this area.

At the end of 2017, the Board of Directors of Zebra consisted of 100% male members (unchanged compared to 2016). It is the Board's ambition to increase diversity, including gender representation on the Board. In February 2018, the first female board member was appointed and Margaret McDonald joined the Board of Directors. It is the target to have at least two female board members before 2023. It is the current assessment that the Board has the required qualifications and composition to oversee Zebra's strategic development. The target will be sought achieved 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.

GARDEN SEEDS
DKK 5

GOING LOCAL – STRENGTHENING OUR SHANGHAI PRESENCE

In 2017, we established a Chinese subsidiary based in Shanghai, enabling us to engage more directly with our Chinese suppliers. The office opened in December and will be the base for our continued supplier dialogue on innovation across product categories and capacity building within CSR, quality and product compliance. With the new office, we reinforce performance against our requirements and create greater agility.

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. This includes departmental follow-ups to drive risk mitigation and action plans. The Board of Directors is ultimately responsible for risk management. The Board has appointed the Audit Committee to act on its behalf, ensuring that the control environment in the Group is suitable and functions satisfactorily.

Financial risk

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

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

Currency risk

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

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

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

Interest rate risk

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

Liquidity risk

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

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

PLASTERS
DKK 20

from any single customer or other party. The Group is exposed to credit risk from cash held at financial institutions and unrealised gains on financial contracts.

Operational risk

Zebra has identified key operational risks within the areas of:

· Market place

· Sourcing

· Products, trademarks and legal claims

· Partner collaboration and buyout

· Infrastructure

· 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. However, online competition is limited due to our experience-based concept, low price points and low average basket size.

To mitigate competition from other retailers, Zebra continues to invest and develop the Flying Tiger Copenhagen concept to maintain the concept's edge and attractive value proposition. The initiatives include continued strengthening of the Group's creative capabilities within product management, product design and innovation, visual merchandising, marketing and branding as well as training of the store staff in order to sustain or improve the level of service provided in the stores.

Customer preferences

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

LITTLE WOODEN CARS
DKK 10

Expansion

Zebra's growth ambitions require strong performance, both in existing markets and when launching the Flying Tiger Copenhagen concept in new markets. 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.

PAPER CLIPS
DKK 15

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 writedowns on stock impacting the financial results negatively.

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. See CSR section for further information about Zebra's CSR efforts and results achieved.

Supply chain disruptions

Disruption to our supply chain 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.

Products, trademarks and legal claims

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

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

Partner collaboration and buyout

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

MEET OUR COLLEAGUES

There is no script for a career path in Flying Tiger Copenhagen – you get to write your own. If you need some inspiration, read our employees' individual career journeys. After all, who is better at telling their story than our employees themselves.

HEIDI BORK NIELSEN

Planner in Planning & Analysis,
HQ Copenhagen – Denmark

CAREER

2005: Part-time Sales Assistant
2010: Full-time Sales Assistant
2011: Part-time Store Assistant
2016: Planner at HQ

THE DISCO BALL

If I had to describe my career with a Flying Tiger Copenhagen product, it would be: *The disco ball. Because the light is constantly changing, just like my days in Flying Tiger Copenhagen.*

I work at Flying Tiger Copenhagen because: *We have a special atmosphere. No matter which store or office you go to, the same environment is present. A mix of funniness, open-minded people and a down-to-earth environment.*

It motivates me that: *We have such a strong solidarity between colleagues. I had so much fun when I worked at the store. It was the culture in the store that made me want to continue working and growing further with the company.*

DARRYL THOMPSON-NASH

Retail Manager,
Brighton – United Kingdom

CAREER

2012: Store Manager
2015: Area Manager
2017: Retail Manager

THE GIANT BALLOONS

If I had to describe my career with a Flying Tiger Copenhagen product, it would be: *The giant balloons. My knowledge in retail and what I've learnt personally about myself is more than I expected.*

I work at Flying Tiger Copenhagen because: *I believe in high street retailing and wanted to work for a retailer that was different; We don't just sell a product, we're selling an experience.*

It motivates me that: *I know that every decision and action I take can impact the lives of thousands of customers daily by improving their shopping experience. It's motivating to work with amazing colleagues, and watching us grow together as a team.*

SARA LINDEROTH

HR Manager,
Malmö – Sweden

CAREER

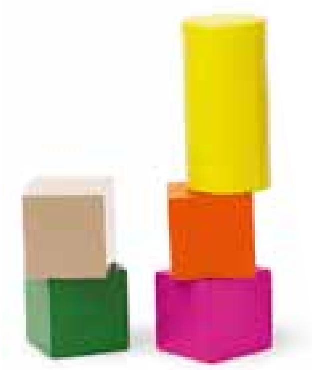
2009: Store intern – Store Assistant
2011: Interim Store Manager
2014: Part-time Economic Assistant
2015: HR administrator
2016: HR Manager

THE BUILDING BLOCKS

If I had to describe my career with a Flying Tiger Copenhagen product, it would be: *The building blocks. My knowledge and experience just keep on growing.*

I work at Flying Tiger Copenhagen because: *Of the company and the people. We have and share the same values and goals.*

It motivates me that: *Flying Tiger Copenhagen gave me the opportunity to grow – in my own way and at my own pace. I thought business economics was the way to go for me, but the people around me in Flying Tiger Copenhagen inspired me to take another step.*



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

People

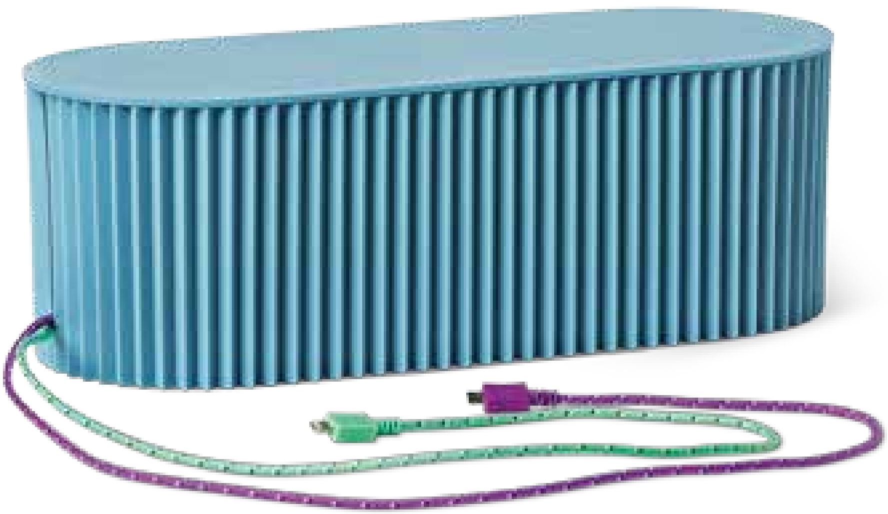
In order to maintain the growth trajectory, Zebra relies critically on our ability to attract, motivate and retain highly qualified employees at all levels of the organisation – from store staff and managers to creative and administrative people at head office.

Zebra has a group HR function, which supports the local operating companies. Among other initiatives, Zebra has developed and rolled out a recruitment kit designed to assist in local recruitment of qualified talents for positions as store assistants, assistant store managers and store managers as well as implemented an international management training programme targeting our store and district managers. 80 district managers have participated in the training programme and Zebra will continue enrolling new district managers into the programme. The fourth module for store managers was rolled out in March 2018.

Insurance policies

Zebra maintains the following insurance policies covering the Group (incl. joint ventures): Product Liability, D&O, Cyber (from 2018) and Crime. These insurance policies are for compliance reasons supplemented with local policies by some group companies. Insurance policies for other types of coverage are maintained be 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.

Zebra does not hold any transportation insurance policies but is continuously evaluating the need for such coverage, including Marine Cargo.



CABLE TIDY UNIT
DKK 60

COPENHAGEN • DENMARK

ST. GALLEN • SWITZERLAND

REIMS • FRANCE

WARSZAWA • POLAND

WIEN • AUSTRIA

TARTU • ESTONIA

SELECTED STORE OPENINGS 2017

OULU • FINLAND

ANTWERPEN • BELGIUM

LAS PALMAS • SPAIN

REGGIO CALABRIA • ITALY

FRANKFURT • GERMANY

DROGHEDA • IRELAND

NEW JERSEY • UNITED STATES

Board of Directors

Vagn Ove Sørensen (1959)
Chairman, Member since 2015

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

Jacob Bier (1961)
Vice Chairman, Member since 1998

Educational background	LLM, University of Copenhagen
Current position	Professional Board Member
Other positions	CERTA Intelligence & Security A/S (Chairman) Nosomnia ApS (Chairman) Bier Brothers Ltd, (Board Member) Hos Fischer ApS (Board Member) Mitco ApS (Board Member)

Lennart Lajboschitz (1959)
Member since 1998

Current position	Board Member and Founder, Zebra A/S
Other positions	Mitco ApS (Chairman) Hos Fischer ApS (Board Member) Nosomnia ApS (Board Member) GoMore ApS (Board Member) CERTA Intelligence & Security A/S (Board Member) Copenhagen Bicycles ApS (Board Member) Absalon Sønder Boulevard (Founder and Owner) The Danish Film Institute (Vice Chairman)

Manel Adell Domingo (1961)
Member since 2013

Educational background	EPGC, Stanford University MBA, IMD Lausanne M.Sc., ESADE Business School Barcelona
Current position	Professional Board Member
Other positions	PUIG, S.L. (Board Member) Amer Sports Corporation (Board Member) Penhaligons UK (Advisory Board) MANGO (International Advisory Board)

Margaret McDonald (1966)
Member since 2018

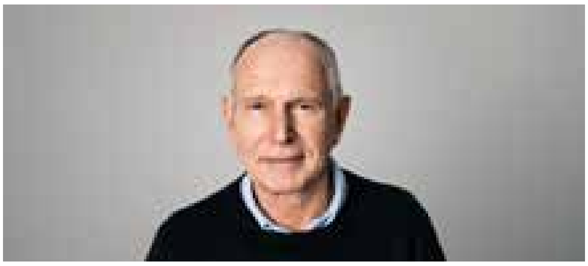
Educational background	Certificate in Management Science, Dublin Institite of Technology, Ireland Grafton Academy of Fashion Design, Dublin, Ireland. Diploma, Fashion Design.
Current position	Professional Board Member
Other positions	Global President, Victoria's Secret 2013–2018 Managing Director, Coast CEO, LK Bennett VP, Gap Inc Other career roles include Marks and Spencer and Primark

Michael Hauge Sørensen (1973)
Member since 2013

Educational background	Executive training from Stanford, IMD and INSEAD
Current position	Professional Board Member
Other positions	TOP-TOY A/S (Chairman) TT Holding II A/S (Chairman) TT Holding III A/S (Chairman) Fristads Kansas Group AB (Chairman and Co-Owner) Homemate A/S (Chairman) IC Group A/S (Board Member) Santa Fe Group A/S (Board Member) Elevate Global Limited (Board Member) Michaso Holdings Ltd. (Director) EQT Partners (Industrial Advisor)

Morten Hummelmose (1971)
Member since 2013

Educational background	M.Sc. Economics, University of Copenhagen M.Sc. Finance, University of London
Current position	Chairman of EQT Partners Inc
Other positions	Member of the Strategic Advisory Committee for Nordic Aviation Capital Sitecore Corporation A/S (Board Member) Sitecore Holding II A/S (Board Member) Sitecore Holding III A/S (Board Member



Rolf Eriksen (1944)
Member since 2013

Educational background	Design and scene painting degree
Current position	Professional Board Member

Executive Management

Mette Maix (1969)
Chief Executive Officer

Educational background	MA in Business, Language and Culture, University of Southern Denmark
Previous experience	CEO, Berlingske Media, EVP, Føtex, Dansk Supermarked Marketing Director, Tesco Slovakia EVP, Superbrugsen, COOP

Carsten Fensholt (1962)
Chief Financial Officer

Educational background	M.Sc. Economics, Aarhus University
Previous experience	COO & CFO, KMD A/S CFO, Magasin du Nord CFO, ISS Damage Control EVP & CFO, GN ReSound CEO, SONY Nordic A/S CFO, SONY Nordic Finance Manager, Mars Snackfoods Europe


flying tiger copenhagen

PIGGY BANK
DKK 60

Consolidated financial statements

Income statement

1 January - 31 December

DKKm	Note	2017	2016
Revenue	2.1	5,032.3	4,274.0
Cost of sales		(1,980.7)	(1,696.2)
Gross profit		**3,051.6**	**2,577.8**
Other external expenses		(1,349.1)	(1,097.8)
Staff costs	2.2	(1,331.3)	(1,111.8)
Other operating income		8.8	-
EBITDA before special items		**380.0**	**368.2**
Amortisation and depreciation		(220.8)	(167.9)
Operating profit (EBIT) before special items		**159.2**	**200.3**
Special items	2.3	(70.0)	(13.6)
Operating profit (EBIT)		**89.2**	**186.7**
Share of loss in joint ventures	3.3	(6.7)	(13.3)
Financial income	4.6	1.0	3.1
Financial expenses	4.6	(57.8)	(47.7)
Profit before tax		**25.7**	**128.8**
Tax on profit for the year	2.4	(21.6)	(46.7)
Profit for the year		**4.1**	**82.1**

Statement of other comprehensive income

DKKm	Note	2017	2016
Profit for the year (brought forward)		**4.1**	**82.1**
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translation of investments in foreign entities		2.1	(13.0)
Foreign exchange hedging instruments:			
- Realised in inventories		5.0	(7.8)
- Realised in cost of sales		27.2	(7.1)
- Realised in financial income		-	(0.1)
- Fair value adjustments		(101.6)	55.7
Tax on hedging instruments		15.3	(8.9)
Other comprehensive income		**(52.0)**	**18.8**
Total comprehensive income for the year		**(47.9)**	**100.9**

Balance sheet

31 December

Assets

DKKm	**Note**	**2017**	**2016**
Intangible assets	3.1	285.5	234.3
Property, plant and equipment	3.2	630.8	605.6
Investment in joint ventures	3.3	26.1	30.5
Deposits		88.7	76.5
Deferred tax	2.4	144.2	67.6
Non-current assets		**1,175.3**	**1,014.5**
Inventories	3.4	1,012.3	948.2
Income tax receivables		9.5	14.8
Derivative financial instruments	4.3, 4.4	-	53.6
Other receivables	4.3	51.5	69.4
Prepayments		80.2	76.6
Cash and cash equivalents	4.3	519.6	566.4
Current assets		**1,673.1**	**1,729.0**
Assets		**2,848.4**	**2,743.5**

Balance sheet

31 December

Equity and liabilities

DKKm	**Note**	**2017**	**2016**
Share capital	4.1	0.5	0.5
Currency translation reserve		(6.5)	(8.6)
Currency hedging reserve		(19.8)	34.3
Retained earnings		(195.0)	(49.8)
Equity	4.2	**(220.8)**	**(23.6)**
Provisions for the acquisition of non-controlling interests	4.3, 4.5	343.4	377.9
Other provisions	3.5	20.3	20.3
Bank debt	4.3, 4.7	1,047.2	944.5
Finance leases	4.3, 4.7	10.4	11.9
Deferred considerations	4.3, 4.5, 4.7	120.3	150.9
Lease incentives		67.1	65.3
Deferred tax	2.4	7.5	8.6
Other non-current liabilities	4.3	22.0	15.9
Non-current liabilities		**1,638.2**	**1,595.3**
Provisions for the acquisition of non-controlling interests	4.3, 4.5	9.1	112.4
Other provisions	3.5	15.7	0.4
Loans provided by shareholders of non-controlling interests	4.3, 4.7	45.0	45.3
Bank debt	4.3, 4.7	49.8	50.1
Finance leases	4.3, 4.7	8.2	7.6
Trade payables	4.3	529.7	511.5
Income tax payables	4.3	24.6	39.2
Deferred considerations	4.3, 4.5, 4.7	267.5	5.9
Lease incentives		20.6	15.3
Derivative financial instruments	4.3, 4.4	45.7	-
Other payables	3.6, 4.3	415.1	384.1
Current liabilities		**1,431.0**	**1,171.8**
Liabilities		**3,069.2**	**2,767.1**
Equity and liabilities		**2,848.4**	**2,743.5**

Statement of changes in equity

DKKm	Share capital	Currency translation reserve	Currency hedging reserve	Retained earnings	Total
2017					
Equity at 01.01.	**0.5**	**(8.6)**	**34.3**	**(49.8)**	**(23.6)**
Profit for the year	-	-	-	4.1	4.1
Other comprehensive income for the year, net of tax	-	2.1	(54.1)	-	(52.0)
Transactions with owners:					**-**
Dividend paid to non-controlling interests	-	-	-	(39.1)	(39.1)
Fair value adjustment of provisions for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	(148.4)	(148.4)
Fair value adjustment of purchase consideration for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	14.3	14.3
Share capital increase	0.0	-	-	23.9	23.9
Equity at 31.12.	**0.5**	**(6.5)**	**(19.8)**	**(195.0)**	**(220.8)**
2016					
Equity at 01.01.	**0.5**	**4.4**	**2.5**	**(137.7)**	**(130.3)**
Profit for the year	-	-	-	82.1	82.1
Other comprehensive income for the year, net of tax	-	(13.0)	31.8	-	18.8
Transactions with owners:					
Dividend paid to non-controlling interests	-	-	-	(47.0)	(47.0)
Fair value adjustment of provisions for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	(1.6)	(1.6)
Fair value adjustment of purchase consideration for the acquisition of non-controlling interests, c.f. Note 4.5	-	-	-	15.5	15.5
Contribution from non-controlling interests	-	-	-	36.9	36.9
Share capital increase	0.0	-	-	2.0	2.0
Equity at 31.12.	**0.5**	**(8.6)**	**34.3**	**(49.8)**	**(23.6)**

In accordance with IFRS, where the non-controlling interests have put options that can be exercised to transfer their present ownership interest to the Parent, a liability is recognised corresponding to the redemption amount, and the subsidiaries are fully consolidated, with no recognition of a non-controlling interest. Changes in the value of these liabilities as well as differences upon settlement are accounted for directly in equity. At 31 December 2017, the accumulated changes and differences upon settlement amount to DKK -1,040.0m (2016: DKK -905.9m) included in equity. Additional details on the impact are provided for in note 4.2.

Cash flow statement

DKKm	Note	2017	2016
Operating profit (EBIT) before special items		**159.2**	**200.3**
Depreciation and amortisation		220.8	167.9
Special items paid		(38.0)	(5.1)
Working capital changes	3.7	91.8	(74.8)
Other non-cash adjustments		(49.0)	117.1
Interest income received		0.5	3.1
Interest expenses paid		(49.4)	(43.4)
Taxes paid		(94.5)	(103.9)
Cash flows from operating activities		**241.4**	**261.2**
Investment in intangible assets		(90.9)	(126.0)
Sale of intangible assets		2.3	-
Investment in property, plant and equipment		(213.9)	(263.4)
Sale of property, plant and equipment		3.6	3.1
Investment in joint ventures		-	(13.0)
Change in deposits		(12.3)	(16.9)
Cash flows from investing activities		**(311.2)**	**(416.2)**
Free cash flow		**(69.8)**	**(155.0)**
Contribution from non-controlling interests		-	36.9
Acquisition of non-controlling interests	4.5, 4.7	(40.9)	(221.6)
Share capital increase		23.9	2.0
Proceeds from loans provided by shareholders of non-controlling interests	4.7	10.6	13.9
Repayment of loans provided by shareholders of non-controlling interests	4.7	(10.6)	(7.6)
Proceeds from loans and borrowings	4.7	160.7	954.6
Repayment of loans and borrowings	4.7	(78.7)	(432.0)
Dividend paid to non-controlling interests		(39.1)	(47.0)
Cash flows from financing activities		**25.9**	**299.2**
Increase in cash and cash equivalents		**(43.9)**	**144.2**
Cash and cash equivalents at 1 January		566.4	429.7
Unrealised exchange gains/(losses) included in cash and cash equivalents		(2.9)	(7.5)
Cash and cash equivalents at 31 December		**519.6**	**566.4**

Unutilised credit facilities for the Group were DKK 364.5m at 31 December 2017 (2016: DKK 562.7m).
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

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 2017 comprises the consolidated financial statements of the parent company Zebra A/S and subsidiaries controlled by the Parent Company (the Group) as well as separate financial statements for the parent company Zebra A/S.

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

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

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

Accounting policies
The accounting policies as described below and in the respective notes have been used consistently for the financial year and are unchanged from last year.

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

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

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

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

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

1.1 General accounting policies (continued)

Transactions and balances
On initial recognition, transactions denominated in foreign currencies are recognised by the Group entities at their functional currency rates prevailing at the date of the transaction. Monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. Foreign exchange adjustments are recognised in the income statement under financial items. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. An average exchange rate for the month is used at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date.

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

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

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

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

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

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

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

Implementation of new or amended standards and interpretations
The Group has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2017. The implementation of the new or amended standards has not had any material impact on 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 2018, most significantly:

IFRS 9 Financial Instruments
IFRS 9 'Financial instruments', with effective date 1 January 2018, is part of the IASB's project to replace IAS 39. The new standard will change the classification and measurement of financial instruments and hedging requirements. A new credit loss model has replaced the incurred loss impairment model used in IAS 39, which requires the Group to recognise expected credit losses on all loans and trade receivables, either on a 12-month or a lifetime approach. The Group will apply the simplified approach using January 2018 as the date of initial application and will make use of the relief from restating comparative figures. As the Group's sale to customers are mainly cash sales the new approach will not have a significant impact on Zebra A/S consolidated financial statements.

IFRS 15 Revenue from contracts with customers
IFRS 15 'Revenue from contracts with customers', with effective date 1 January 2018, is part of the IASB's convergence project to replace IAS 18. The new standard will establish a single framework for the treatment of revenue using a five-step model to account for revenue arising from contracts with customers. The Group has assessed the expected impact of the standard and determined that the standard will result in some new disclosures, but will not have any significant impact on recognition and measurement of revenue in the consolidated financial statements.

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

1.1 General accounting policies (continued)

based on leasing rather than owning property, plant and equipment. The Group has entered into a significant number of operational lease agreement, and therefore expects a significant increase in property, plant and equipment and in financial liabilities, as well as an improved EBITDA as a consequence of implementing IFRS 16. Furthermore, cash payments of the main portion of the lease liability will be presented under financing activities in the cash flow statement instead of today's presentation under operating activities. Also, most key figures will be significantly impacted. The expected impact is currently being assessed. The Group intends to adopt the standard on 1 January 2019 applying the simplified transition approach without restating the comparative amounts for the year prior to first adoption.

The Group expects to adopt the standards and interpretations when they become effective.

1.2 Significant accounting estimates and judgments

The consolidated financial statements have been prepared to give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2017. The Executive Management makes various accounting estimates and judgments which affect the consolidated financial statements.

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

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

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

- Consolidation of entities in which the Group holds a 50% ownership interest (cf. below),
- Valuation of deferred tax assets (note 2.4),
- Write downs against the carrying amount of inventories (note 3.4), 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 connections with a deadlock situation. Accordingly, the Group considers at a balanced view that these potential voting rights and other rights in all substance give rise to the existence of control at the reporting date.

Section 2 Results for the year

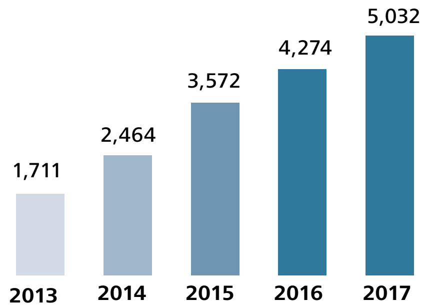
This section

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

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

In 2017, Zebra's revenue was DKK 5,032m compared to DKK 4,274m in 2016, corresponding to 18% growth driven by the rapid expansion of our store footprint.

Revenue (DKKm)



30
(2016: 30)
Number of countries

863
(2016: 745)
Number of stores incl. Japanese joint venture

5,582
(2016: 4,568)
Average number of FTE

2.1 Revenue

Accounting policies
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group, the revenue can be reliably measured and when significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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

As returns of goods historically have been immaterial, no provision has been recognised for returns.

2.2 Staff costs

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

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

DKKm	**2017**	**2016**
Salaries and wages	1,110.5	926.7
Pension contributions	46.4	39.8
Other social security costs	152.3	117.4
Other staff costs	34.1	45.0
Total	**1,343.3**	**1,128.9**
Capitalised salaries and wages related to development projects	(12.0)	(17.1)
Recognised in the income statement	**1,331.3**	**1,111.8**

Average number of full-time equivalents	**5,582**	**4,568**

Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management*	17.8	15.5
Total remuneration, Board of Directors	1.5	1.7
Total	**19.3**	**17.2**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages*	18.5	16.2
Pensions	0.8	1.0
Total	**19.3**	**17.2**

*Includes severance payments.

2.3 Special items

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

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

DKKm	2017	2016
Strategic procurement project	-	3.9
Costs related to strategy project	18.8	-
Costs associated with the establishment of new management team	22.8	8.7
Costs related to partner buyouts	2.1	1.0
Pruning of the United States store network	13.5	-
Impairment losses in the United States store network	12.8	-
Total	**70.0**	**13.6**

2.4 Income taxes and deferred tax

Accounting policies
Income tax for the year, comprising the year's current tax and the change in 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 carry forward, if 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. Executive Management assesses tax assets and liabilities at least annually based on dialogue with tax advisors, business plans for the coming years, including other planned commercial initiatives.

Of the total deferred tax assets recognised, DKK 81.1m (2016: DKK 17.8m) is related to tax loss carry-forwards. Executive Management considers it probable that these tax loss carry-forwards together with other tax assets can be offset against positive taxable income within 5 years. The increase in expected positive taxable income, in all countries where the Group operates, originates from both enlargement of the business activities from openings of new stores and cost synergies obtained from simplifications of the legal and organizational structure.

2.4 Income taxes and deferred tax (continued)

Tax costs

DKKm	**2017**	**2016**
Current tax	86.2	96.8
Adjustment to current tax concerning previous years	(1.7)	0.7
Change in deferred tax during the year	(66.0)	(52.4)
Impact from change in tax rate to deferred tax	1.8	(0.0)
Adjustment to deferred tax concerning previous years	1.3	1.6
Total	**21.6**	**46.7**

Tax reconciliation

DKKm	**2017**	**2016**
Profit before tax	25.7	128.8
Calculated 22.0% on profit before tax	5.6	28.3
Difference in local tax rate compared to Parent's tax rate of 22.0%	14.3	17.0
Tax effect from:		
Non-taxable income and non-deductible expenses	0.6	2.4
Impact from change in the tax rates	1.8	(0.0)
Impact of non-recognised tax losses to be carried forward and value adjustments	(0.3)	(3.3)
Adjustments concerning previous years	(0.4)	2.3
Total	**21.6**	**46.7**
Effective tax rate	**84.0%**	**36.2%**

Deferred tax

DKKm	**2017**	**2016**
Deferred tax assets	144.2	67.6
Deferred tax liabilities	(7.5)	(8.6)
Total	**136.7**	**59.0**

2.4 Income taxes and deferred tax (continued)

DKKm	Deferred tax 01.01.	Exchange rate adjustment	Recognised in profit and loss	Recognised in other comprehen-sive income	Deferred tax 31.12.
2017					
Intangible assets	(4.1)	0.0	6.5	-	2.4
Property, plant and equipment	(3.5)	0.9	8.7	-	6.1
Inventories	41.7	0.0	(15.4)	-	26.3
Provisions etc.	2.8	(0.0)	(2.9)	-	(0.1)
Foreign exchange hedging	(9.7)	-	-	15.3	5.6
Tax losses to be carried forward	17.8	(0.8)	64.1	-	81.1
Other	14.0	(0.6)	1.9	-	15.3
Deferred tax	**59.0**	**(0.5)**	**62.9**	**15.3**	**136.7**
2016					
Intangible assets	(5.8)	0.0	1.7	-	(4.1)
Property, plant and equipment	(6.3)	0.2	2.6	-	(3.5)
Inventories	15.2	0.1	26.4	-	41.7
Provisions etc.	3.9	(0.0)	(1.1)	-	2.8
Foreign exchange hedging	(0.8)	-	-	(8.9)	(9.7)
Tax losses to be carried forward	4.2	(0.0)	13.6	-	17.8
Other	6.3	0.1	7.6	-	14.0
Deferred tax	**16.7**	**0.4**	**50.8**	**(8.9)**	**59.0**

Unrecognised tax loss carry-forwards amount to DKK 0m (2016: DKK 0m).

Section 3 Invested capital and working capital items

This section

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

Net working capital

DKKm	**2017**	**2016**
Inventories	1,012	948
Other receivables	52	69
Prepayments	80	77
Trade payables	(530)	(512)
Other payables	(415)	(384)
Lease incentives	(87)	(80)
Net working capital	**112**	**118**

Invested capital

DKKm	**2017**	**2016**
Intangible assets	286	234
Property, plant and equipment	631	606
Investment in joint ventures	26	31
Deposits	89	77
Net working capital	112	118
Other provisions	(36)	(21)
Derivative financial instruments	(46)	54
Other non-current liabilities	(22)	(16)
Net income tax	(15)	(25)
Net deferred tax	136	59
Invested capital	**1,161**	**1,117**

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 or a maximum of 20 years
- 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 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 2018 and projections for 2019. The long-term growth rate in the terminal period has been set to equal the expected long-term rate of inflation of 2%.

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

A pre-tax discount rate of 9.9% is used to calculate recoverable amounts, representing the weighted average cost of capital. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment tests of goodwill did not show any need for impairment losses to be recognised in 2017 (2016: DKK 0m). In the Executive Management's opinion, no probable change in any of the key assumptions mentioned above would cause the carrying amount to exceed its recoverable amount.

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 2017 (2016: DKK 0m).

3.1 Intangible assets (continued)

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
2017						
Cost 01.01.	19.5	71.6	1.1	86.0	105.6	283.8
Exchange rate adjustment	-	(1.1)	-	-	-	(1.1)
Additions	-	11.9	-	7.0	0.5	19.4
Additions, internal development	-	-	-	54.1	17.4	71.5
Transfer	-	-	-	104.3	(104.3)	-
Disposals	-	(3.7)	(0.2)	(1.1)	-	(5.0)
Cost 31.12.	**19.5**	**78.7**	**0.9**	**250.3**	**19.2**	**368.6**
Amortisation 01.01.	(3.6)	(29.8)	(0.2)	(15.9)	-	(49.5)
Exchange rate adjustment	-	0.6	-	-	-	0.6
Amortisation	-	(8.6)	(0.1)	(27.0)	-	(35.7)
Disposals	-	1.5	-	-	-	1.5
Amortisation 31.12.	**(3.6)**	**(36.3)**	**(0.3)**	**(42.9)**	**-**	**(83.1)**
Carrying amount 31.12.	**15.9**	**42.4**	**0.6**	**207.4**	**19.2**	**285.5**
2016						
Cost 01.01.	19.5	54.0	1.1	28.6	47.1	150.3
Exchange rate adjustment	-	(2.1)	-	-	-	(2.1)
Additions	-	9.8	-	7.0	-	16.8
Additions, internal development	-	-	-	-	108.9	108.9
Transfer	-	10.9	-	50.4	(50.4)	10.9
Disposals	-	(1.0)	-	-	-	(1.0)
Cost 31.12.	**19.5**	**71.6**	**1.1**	**86.0**	**105.6**	**283.8**
Amortisation 01.01.	(3.6)	(20.4)	(0.1)	(3.8)	-	(27.9)
Exchange rate adjustment	-	0.3	-	-	-	0.3
Amortisation	-	(8.0)	(0.1)	(12.1)	-	(20.2)
Transfer	-	(2.7)	-	-	-	(2.7)
Disposals	-	1.0	-	-	-	1.0
Amortisation 31.12.	**(3.6)**	**(29.8)**	**(0.2)**	**(15.9)**	**-**	**(49.5)**
Carrying amount 31.12.	**15.9**	**41.8**	**0.9**	**70.1**	**105.6**	**234.3**

Net loss from disposal of intangible assets amounts to DKK 1.2m (2016: DKK 0m).

3.2 Property, plant and equipment

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

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

At the inception of a lease, the Executive Management assesses and determines the lease term, which could include periods under the exercise of renewal options that are reasonable assured and at the Group's sole discretion.

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

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

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

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

Leases
Lease agreements in which a substantial portion of the risks and benefits from the ownership are transferred to the Group are classified as finance lease. Other leases are classified as operating leases.

The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments.

When calculating the net present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate.

Assets under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

When entering into lease agreements management considers the substance of the contract in order to determine whether the agreement is a lease or a service contract. Particular emphasis is put to whether the fulfilment of the agreement is attached to a specific asset.

Contingent (sale based) rentals arising under operating leases are recognised as an expense in the same period as the corresponding sales.

The aggregated benefit of any lease incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

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 leasehold improvements resulted in a recognition of an impairment loss of DKK 12.7m relating to stores in the United States (2016: DKK 0m).

3.2 Property, plant and equipment (continued)

DKKm	Leasehold improvements	Store furniture	Other equipment	Total
2017				
Cost 01.01.	477.6	360.1	129.5	967.2
Exchange rate adjustment	(7.5)	(4.1)	(1.1)	(12.7)
Additions	133.2	65.1	35.3	233.6
Transfer	(0.2)	0.2	-	-
Disposals	(14.2)	(7.7)	(10.3)	(32.2)
Cost 31.12.	**588.9**	**413.6**	**153.4**	**1,155.9**
Depreciation 01.01.	(135.8)	(162.4)	(63.4)	(361.6)
Exchange rate adjustment	1.4	2.3	0.9	4.6
Depreciation	(75.3)	(67.8)	(35.2)	(178.3)
Impairment losses	(12.2)	(0.5)	-	(12.7)
Disposals	6.8	6.8	9.3	22.9
Depreciation 31.12.	**(215.1)**	**(221.6)**	**(88.4)**	**(525.1)**
Carrying amount 31.12.	**373.8**	**192.0**	**65.0**	**630.8**
2016				
Cost 01.01.	351.9	278.3	103.9	734.1
Exchange rate adjustment	(13.4)	(6.1)	(1.7)	(21.2)
Additions	157.7	91.7	33.5	282.9
Transfer	(9.7)	1.0	(2.2)	(10.9)
Disposals	(8.9)	(4.8)	(4.0)	(17.7)
Cost 31.12.	**477.6**	**360.1**	**129.5**	**967.2**
Depreciation 01.01.	(90.0)	(104.3)	(43.9)	(238.2)
Exchange rate adjustment	3.4	2.7	0.5	6.6
Depreciation	(59.3)	(63.2)	(23.0)	(145.5)
Transfer	2.7	(0.6)	0.6	2.7
Disposals	7.4	3.0	2.4	12.8
Depreciation 31.12.	**(135.8)**	**(162.4)**	**(63.4)**	**(361.6)**
Carrying amount 31.12.	**341.8**	**197.7**	**66.1**	**605.6**

Net loss from selling or scrapping property, plant and equipment amounts to DKK 5.7m (2016: DKK 1.9m).

The carrying amount of assets under finance lease amount to DKK 22.1m (2016: DKK 22.2m) which is made up of Leasehold improvements DKK 0.8m (2016: DKK 0.0m), Store furniture DKK 15.1m (2016: DKK 19.6m) and Other equipment DKK 6.3m (2016: DKK 2.6m).

3.2 Property, plant and equipment (continued)

Operating leases

DKKm	2017	2016
Non-cancellable operating lease commitments		
Not later than 1 year	649.3	584.7
1-5 years	1,209.8	1,141.4
Later than 5 years	220.0	241.0
Total	**2,079.1**	**1,967.1**

The Group has a large number of individual leases. The leases are mainly for stores, offices and office equipment etc. with lease terms up to 10 years, of which several include renewal options. The increase in commitments in 2017 is mainly related to opening of new stores.

Lease payments recognised in the income statement relating to operating leases amount to DKK 857.6m (2016: DKK 688.4m). Contingent (sale-based) rent included in lease payments amounts to DKK 23.9m (2016: DKK 17.2m).

3.3 Investment in joint ventures

Accounting policies

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

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

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

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

Significant accounting estimates and judgments

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

The estimated future free net cash flows are based on budgets for 2018 and business plans and projections for 2019-2022.

Key parameters are revenue development, profit margins, proposed 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 10.5% is used to calculate recoverable amounts, representing the weighted average cost of capital pre-tax. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

3.3 Investment in joint ventures (continued)

Zebra Japan K.K.
The investment in joint ventures has in 2017 and 2016 consisted of the investment in Zebra Japan K.K. who markets and sells products from Flying Tiger Copenhagen on the Japanese market. Zebra's ownership interest has been 50% 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.

DKKm	**2017**	**2016**
Cost 01.01.	53.1	40.1
Additions	-	13.0
Cost 31.12.	**53.1**	**53.1**
Adjustment 01.01.	(22.6)	(8.9)
Exchange rate adjustment	2.3	(0.4)
Share of loss for the year after tax	(6.7)	(13.3)
Adjustment 31.12.	**(27.0)**	**(22.6)**
Carrying amount 31.12.	**26.1**	**30.5**

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

DKKm	**2017**	**2016**
Revenue	271.7	336.4
EBITDA	6.5	(1.1)
Amortisation and depreciation	(19.7)	(25.7)
Profit for the period	(13.5)	(26.6)
Total comprehensive income	(13.5)	(26.6)
Non-current assets	73.5	104.1
Current assets	87.4	136.6
Non-current liabilities	14.8	15.8
Current liabilities	138.1	202.3
Equity	8.0	22.5
Net working capital	39.6	40.7
Number of stores	23	27

3.4 Inventories

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

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

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

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

At 31 December 2017, the inventory writedown amounts to DKK 60.8m (2016: DKK 131.1m). The decrease is primarily related to scrapping of stock in central warehouses that was written down in 2016.

DKKm	**2017**	**2016**
Finished goods	1,073.1	1,079.3
Writedowns	(60.8)	(131.1)
Total	**1,012.3**	**948.2**
Writedowns 01.01.	(131.1)	(22.8)
Writedowns, during the year	(34.7)	(112.2)
Writedowns, utilised during the year	97.7	3.9
Writedowns, reversed during the year	7.3	-
Writedowns 31.12.	**(60.8)**	**(131.1)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 62.4m (2016: DKK 25.3m).

3.5 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 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	2017	2016
Provisions 01.01.	20.7	9.5
Provisions, during the year	16.2	11.2
Provisions, utilised	(0.6)	-
Provisions, reversed during the year	(0.3)	-
Provisions 31.12.	**36.0**	**20.7**
Non-current provisions	20.3	20.3
Current provisions	15.7	0.4
Total	**36.0**	**20.7**

Other provisions relate mainly to restoration obligations in connection with vacating leased premises and to onerous contracts for leased premises. The expected costs and timing are by nature uncertain. No provisions are discounted as the impact is considered insignificant.

3.6 Other payables

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

DKKm	2017	2016
VAT and other indirect taxes	157.1	119.8
Employee costs	181.4	152.8
Other	76.6	111.5
Total	**415.1**	**384.1**

3.7 Working capital changes

DKKm	2017	2016
Change in inventories	1.9	(347.6)
Change in other receivables	17.7	(26.1)
Change in prepayments	(5.8)	(20.1)
Change in lease incentives	8.8	19.7
Change in trade payables	53.4	227.3
Change in other payables	15.8	72.0
Total	**91.8**	**(74.8)**

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

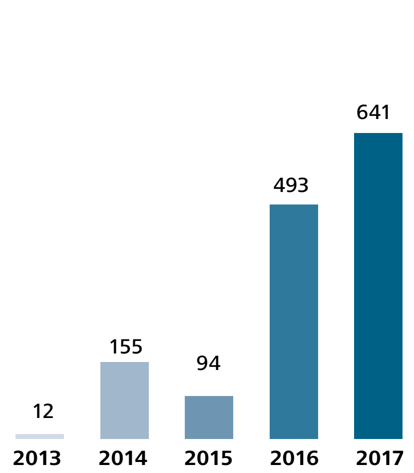
Note 4.6 Net financials

Note 4.7 Liabilities arising from financing activities

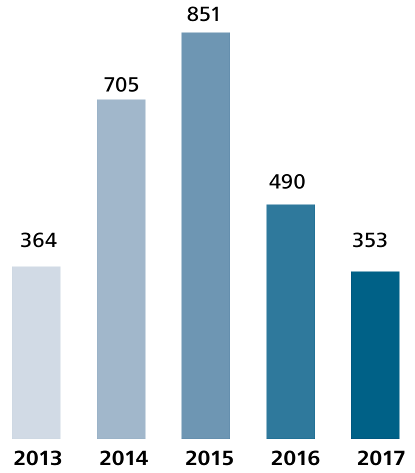
This section provides insights into Zebra's capital structure including financial risk management, provisions for acquisition of non-controlling interests and net financials.

In 2017, the provisions for the acquisition of non-controlling interests went down by 28% due to the takeover of six 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 A	3,365,309
Class B	897,965
Class C	897,965
Class D	13,452
Class E	2,539

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

Changes in share capital in the past five financial years:

DKK '000	
Share capital at 1 January 2013	505
Capital increase 2013	10
Capital increase 2015	2
Capital increase 2016	0
Capital increase 2017	5
Share capital at 31 December 2017	**522**

4.2 Pro forma adjusted equity

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

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

A number of call and put options have been exercised giving rise to recognition of deferred considerations or cash out flow for the acquisition of non-controlling interests. Changes in the value of these liabilities including differences upon settlement are under the accounting policies of the Group 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 impacts from realised or potential acquisitions of non-controlling interests on an accumulated basis.

DKKm	2017	2016	2015	2014	2013
Pro forma equity adjusted for impact from realised or potential acquisition of non-controlling interests					
Pro forma adjusted equity 01.01.	882.3	789.5	622.1	393.8	242.2
Total comprehensive income for the year, net of tax	(47.9)	100.9	183.1	238.8	137.9
Share capital increase	23.9	2.0	16.9	-	28.3
Dividend paid to non-controlling interests	(39.1)	(47.0)	(33.0)	(11.0)	(4.6)
Other movements	-	36.9	0.4	0.5	(10.0)
Pro forma adjusted equity at 31.12.	**819.2**	**882.3**	**789.5**	**622.1**	**393.8**
Impact on reported equity from realised or potential acquisition of non-controlling interests					
Provision for the acquisition of non-controlling interests, non-current	(343.4)	(377.9)	(647.6)	(638.5)	(363.5)
Provision for the acquisition of non-controlling interests, current	(9.1)	(112.4)	(203.1)	(66.3)	-
Deferred considerations, non-current	(120.3)	(150.9)	(31.9)	-	-
Deferred considerations, current	(267.5)	(5.9)	-	-	-
Cash flow used for acquisition of non-controlling interests (accumulated)	(299.7)	(258.8)	(37.2)	(16.8)	(16.8)
Accumulated fair value adjustment 31.12.	**(1,040.0)**	**(905.9)**	**(919.8)**	**(721.6)**	**(380.3)**
Reported IFRS equity at 31.12.	**(220.8)**	**(23.6)**	**(130.3)**	**(99.5)**	**13.5**

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.

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.

Finance lease
The residual finance lease obligation is measured at amortised cost. Lease payments are allocated between the lease obligation and finance expenses so that a constant rate of interest is recognised on the outstanding finance balance.

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.

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

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

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

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2017					
Financial liabilities					
Bank debt	69.6	1,082.5	-	1,152.1	1,097.0
Provisions for the acquisition of non-controlling interests	10.0	395.8	-	405.8	352.5
Loans provided by shareholders of non-controlling interests	41.5	3.5	-	45.0	45.0
Finance leases	9.5	11.3	-	20.8	18.6
Deferred considerations	267.5	120.3	-	387.8	387.8
Financial derivative instruments	45.7	-	-	45.7	45.7
Other non-current liabilities	-	-	22.0	22.0	22.0
Trade payables	529.7	-	-	529.7	529.7
Income tax payables	24.6	-	-	24.6	24.6
Other payables	415.1	-	-	415.1	415.1
Total	**1,413.2**	**1,613.4**	**22.0**	**3,048.6**	**2,938.0**

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
2016					
Financial liabilities					
Bank debt	69.9	988.9	-	1,058.8	994.6
Provisions for the acquisition of non-controlling interests	123.6	440.5	-	564.1	490.3
Loans provided by shareholders of non-controlling interests	45.3	-	-	45.3	45.3
Finance leases	8.5	12.9	-	21.4	19.5
Deferred considerations	5.9	150.9	-	156.8	156.8
Other non-current liabilities	-	-	15.9	15.9	15.9
Trade payables	511.5	-	-	511.5	511.5
Income tax payables	39.2	-	-	39.2	39.2
Other payables	384.1	-	-	384.1	384.1
Total	**1,188.0**	**1,593.2**	**15.9**	**2,797.1**	**2,657.2**

Fair value of financial assets and liabilities is approximately equal to the carrying amount in both 2017 and 2016.

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

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

4.4 Financial risk management

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

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

Hedging instruments
On initial recognition, financial instruments are measured at their fair value at the transaction date. After initial recognition, financial instruments are measured at their fair value at the balance sheet date. The fair value of financial instruments are measured based on current market data and by use of commonly recognised valuation methods (level 2 input). The positive or negative fair value of derivatives are recognised in the balance sheet.

Any changes in fair value of financial instruments classified as and satisfying the conditions for effective hedging of future transactions are recognised in other comprehensive income.

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.

Foreign currency risk
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 2017 have a maturity of less than 1 year.

DKKm	Remaining maturity	Contract value	Carrying amount	Fair value adjustment recognised in other comprehensive income
2017				
Forward exchange contracts - USD	0-12 months	1,159.1	(45.7)	(69.4)
Total		**1,159.1**	**(45.7)**	**(69.4)**
2016				
Forward exchange contracts - USD	0-12 months	1,019.4	53.6	40.7
Total		**1,019.4**	**53.6**	**40.7**

4.4 Financial risk management (continued)

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 relate to the foreign subsidiaries' purchase of goods from Zebra A/S in DKK. The income statement is affected by changes in exchange rates, as the profit of foreign subsidiaries is translated into Danish kroner using average exchange rates.

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

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

Exchange rate analysis

		2017		2016	
DKKm	**Change in exchange rate**	**Profit before tax**	**Equity**	**Profit before tax**	**Equity**
USD	(10)%	8.4	(82.5)	1.5	(81.7)
USD	10%	(8.4)	82.5	(1.5)	81.7
GBP	(10)%	0.0	4.7	(4.7)	0.8
GBP	10%	(0.0)	(4.7)	4.7	(0.8)
EUR	(1)%	0.3	4.0	(0.8)	4.6
EUR	1%	(0.3)	(4.0)	0.8	(4.6)
SEK	(10)%	(0.9)	0.0	(0.4)	0.7
SEK	10%	0.9	(0.0)	0.4	(0.7)
PLN	(10)%	(1.8)	(1.8)	(0.7)	0.2
PLN	10%	1.8	1.8	0.7	(0.2)

The analysis is based on monetary assets and liabilities as of end 2017 and 2016. 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.

4.4 Financial risk management (continued)

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

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 finance leases, 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 2017 would have a negative impact of DKK 6.3m on the Group's profit for the year and equity (2016: negative impact of DKK 4.7m). A corresponding decrease in interest levels would have a negative impact of DKK 4.0m on the Group's profit for the year and equity (2016: negative DKK 4.9m).

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

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

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

Zebra A/S has an external credit facility in place totalling DKK 1,800m of which DKK 450m matures in 2019 and DKK 1,350m matures in 2021. The credit facility is subject to a number of undertakings, financial covenants and other restrictions. Financial covenants consist of a leverage cover and an interest cover. Financial covenants are calculated on a last twelve-month basis. In the event of default under the credit facility agreement debt including accrued interest could be declared immediately due and payable.

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

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

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

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

4.5 Provisions for the acquisition of non-controlling interests

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

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

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

Subsidiaries whose non-controlling shareholdings are subject to put options are fully consolidated, i.e. with no recognition of a non-controlling interest.

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

The calculation of the provisions for the put options are 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 2017.

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 results of the respective subsidiary companies vary from the Executive Management´s projections.

The discount rate of 10.1% (2016: 10%) 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	**2017**	**2016**
Balance 01.01.	490.3	850.7
Exchange rate adjustment	(0.1)	(4.9)
Additions	-	6.2
Utilisation of provision to acquire non-controlling interests resulting in a deferred consideration	(258.9)	(360.4)
Utilisation of provision to acquire non-controlling interests paid with a fixed settlement price	(27.3)	(1.6)
Fair value adjustment	148.5	0.3
Balance 31.12.	**352.5**	**490.3**
Non-current provisions for the acquisitions of non-controlling interests	343.4	377.9
Current provisions for the acquisitions of non-controlling interests	9.1	112.4
Total	**352.5**	**490.3**

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

In 2017 Zebra acquired full ownership of six partnerships relating to partners in Poland (Tiger Poland 2 Sp. z.o.o.), Germany (Tiger Retail Germany 04 GmbH and Tiger Retail Germany 05 GmbH), Northern Ireland (TGR Stores (NI) Ltd.), Ireland (Tiger Retail Ireland Ltd) and Italy (Tiger Italia 1, S.r.l.).

Of the six partnerships, fixed settlement prices were paid to four of the partnerships at a total of DKK 8.0m.

Zebra paid one partnership, an initial purchase consideration based on realised figures for the financial year 2016 which amounts to DKK 25.1m. A deferred consideration based on the financial year 2017 is recognised in the balance sheet and is expected to be DKK 12.3m.

The purchase consideration for the last partnership Zebra acquired during 2017 is based on the financial years 2017 and 2018. A short term deferred consideration related to the financial year 2017 expected to amount to DKK 121.3m and a long term deferred consideration related to the financial year 2018 expected to amount to DKK 119.3m are recognised in the balance sheet.

In 2016 Zebra acquired full ownership of seven partnerships relating to partners in the United Kingdom (Tiger Retail Ltd. and Tiger North Ltd.), Spain (Tiger Stores Spain, S.L.), the Netherlands (Tiger Stores Nederland B.V.), Sweden (TP Stores AB) and Germany (Tiger Trading GmbH and Tiger Retail Germany 03 GmbH).

DKKm	**2017**	**2016**
Deferred considerations 01.01.	156.8	31.9
Additions	258.9	360.4
Settlements paid during the period	(13.6)	(220.0)
Fair value adjustment	(14.3)	(15.5)
Deferred considerations 31.12.	**387.8**	**156.8**
Non-current deferred considerations	120.3	150.9
Current deferred considerations	267.5	5.9
Total	**387.8**	**156.8**

4.6 Net financials

Accounting policies

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

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

DKKm	2017	2016
Financial income		
Interest on financial assets measured at amortised cost	0.5	2.5
Gains on derivative financial instruments not designated as hedges	0.5	-
Other financial income	-	0.6
Total	**1.0**	**3.1**
Financial expenses		
Bank charges*	21.0	23.0
Interest on financial liabilities measured at amortised cost	30.0	21.1
Losses on derivative financial instruments not designated as hedges	1.2	-
Exchange rate adjustments, net	4.0	3.5
Other financial expenses	1.6	0.1
Total	**57.8**	**47.7**
Net financials	**(56.8)**	**(44.6)**

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

4.7 Liabilities arising from financing activities

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

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

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

DKKm	Liabilities 01.01.	Cash movements	Fair value movements	Other non-cash movements 2017	Exchange rate adjustment	Liabilities 31.12.
2017						
Financial liabilities						
Loans provided by shareholders of non-controlling interests	45.3	-	-	-	(0.3)	45.0
Bank debt	994.6	101.5	-	3.1	(2.2)	1,097.0
Finance leases	19.5	(19.5)	-	19.5	(0.9)	18.6
Deferred considerations	156.8	(13.6)	(14.3)	258.9	-	387.8
Provision for the acquisition of non-controlling interests	490.3	(27.3)	148.5	(258.9)	(0.1)	352.5
Total	**1,706.5**	**41.1**	**134.2**	**22.6**	**(3.5)**	**1,900.9**

Section 5 Other disclosures

This section

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

55
(2016: 56)
Total number of Group companies

30
(2016: 35)
50% owned companies

25
(2016: 21)
Fully owned companies

5.1 Fees to statutory auditor

DKKm	2017	2016
EY		
Statutory audit of financial statements	4.5	4.1
Other assurance engagements	0.5	0.7
Tax advisory services	1.5	2.4
Other services	6.4	5.9
Total	**12.9**	**13.1**

5.2 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 70% 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, c/o Piaster Revisorerne, Abildgårdsparken 8A, 3460 Birkerød.

During 2017 and 2016 there were no transactions with these related parties.

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

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

Members of the Board of Directors and key management personnel acquired shares in Zebra A/S of DKK 23.9m in 2017 (2016: DKK 2.0m).

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

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

During the year, the Group received royalty and service fee in the amount of DKK 14.9m from the joint venture company (2016: DKK 21.6m) and sold goods for an amount of DKK 68.4m (2016: DKK 30.4m) to the joint venture company.

In 2016 Zebra A/S made a capital contribution in Zebra Japan K.K. of DKK 13.0m.

At 31 December 2017, the joint venture company owed the Group DKK 2.8m (2016: DKK 3.6m). 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 80.0m (2016: DKK 87.4m). At 31 December 2017 the guaranteed amount constituted DKK 60.6m (2016: DKK 84.3m).

5.3 Guarantee commitments and contingent liabilities

Litigation
A few legal proceedings 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 80.0m (2016: DKK 87.4m). At 31 December 2017 the guaranteed amount constituted DKK 60.6m (2016: DKK 84.3m).

Contractual obligation
In addition to the lease commitments disclosed in note 3.2, the contractual obligations related to service contracts amounted to DKK 39.2m (2016: DKK 48.7m). Aside from liabilities recognised in the balance sheet, no significant losses are expected to incur as a result from contractual obligations.

Pledged assets
A letter of indemnity (company charge) of nominal DKK 30.0m (2016: 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 (2016: 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 63.1m (2016: DKK 36.4m).

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

DKKm	2017	2016
Pledged assets		
Leasehold rights	18.9	19.2
Goodwill	12.5	12.5
Trademarks	0.6	1.0
Leasehold improvements	123.9	97.5
Other equipment	17.1	14.2
Store furniture	60.5	47.5
Inventories	728.5	702.0
Receivables	115.5	89.3
Total	**1,077.5**	**983.2**

5.4 Events after the balance sheet date

No events have occurred after the balance sheet date that have a material impact on the financial position of the Group.

5.5 List of group companies

Investment in group companies comprise the following at 31 December 2017.

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.	AH Kockengen, the Netherlands	2008	100%
Tiger Stores Spain, S.L.	Madrid, Spain	2008	100%
TZ-shops South Sweden AB	Malmö, Sweden	2008	100%
SIA Tiger Shop	Riga, Latvia	2009	50%
UAB Tiger Shop	Vilnius, Lithuania	2010	50%
Tiger Hellas S.A.	Thessaloniki, Greece	2010	50%
TP Stores AB	Malmö, Sweden	2011	100%
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	50%
TZ Stores Ltd.	Dunblane, Scotland	2011	100%
Tiger Stores OY	Helsinki, Finland	2011	100%
Zebra Japan K.K.	Tokyo, Japan	2011	50%
Tiger Trading GmbH	Flensburg, Germany	2012	100%
HK China Trading Holding Ltd.	Hong Kong	2012	100%
Tiger Italy 2, S.r.l.	Bologna, Italy	2012	50%
TGR Stores (NI) Ltd.	Newry, Northern Ireland	2012	100%
Tiger Portugal S.A.	Carneca, Portugal	2012	50%
Tiger Carnarias, S.L.	Las Palmas, Spain	2013	50%
Tiger South Spain, S.L.	Malaga, Spain	2013	50%
Tiger Italy 3, S.r.l.	Bologna, Italy	2013	50%
Tiger Stores North West Spain, S.L.	La Coruña, Spain	2013	50%
Tiger Cardiff Ltd.	Newport, Wales	2013	50%
Tiger Stores Spain 6, S.L.	Madrid, Spain	2013	50%
Tiger U.K. (Midlands) Ltd.	Glostershire, England	2013	50%
Tiger Stores Belgium, BVBA	Antwerp, Belgium	2013	50%
Sp/f Tiger Førorar	Saltangará, Faroe Islands	2013	100%
Zebra (Beijing) Trading Co., Ltd.	Beijing, China	2013	100%
Tiger Stores Austria GmbH	Wien, Austria	2014	50%
Tiger Stores Belgium 2 SPRL	Chénée, Belgium	2014	50%
Tiger Stores Cyprus Limited	Nicosia, Cyprus	2014	50%
Tiger Czech Republic s.r.o.	Prague, Czech Republic	2014	50%
Tiger Stores OU Estonia	Tallinn, Estonia	2014	50%
Tiger Stores Spain 5, S.L.	Bilbao, Spain	2014	50%
Tiger Stores France SAS	Nice, France	2014	50%
Tiger Poland 2 Sp. z. o. o.	Poznan, Poland	2014	100%
Tiger Retail Germany 03 GmbH	Munich, Germany	2014	100%
Tiger Retail Germany 04 GmbH	Kiel, Germany	2014	100%
Tiger Retail Germany 05 GmbH	Düsseldorf, Germany	2014	100%
Tiger Stores France 2 SAS	Lille, France	2014	50%
Tiger Stores France 4 SAS	Paris, France	2014	50%
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)	Zurich, Switzerland	2016	50%
Flying Tiger Korea Chusik Hoesa	Seoul, South Korea	2016	50%
Zebra Trading (Shanghai) Co., Ltd	Shanghai, China	2017	100%
Zebra Stores New England, LLC	Boston, United States	2017	50%

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

Definition of key figures and ratios

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

Gross margin =	Gross profit x 100 / Revenue
EBITDA margin before special items =	EBITDA margin before special items / Revenue
Net interest-bearing debt =	Bank debt + Loans provided by shareholders of non-controlling interests + Finance lease – cash and cash equivalents
Return on invested capital =	Operating profit (EBIT) before special items / Average invested capital
Net working capital ratio =	Net working capital / Revenue
Leverage =	Net interest-bearing debt / EBITDA before special items
Profit before special items, after tax =	Profit for the year adjusted for special items and tax on special items
Profit margin before special items, after tax =	Profit before special items, after tax / 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 where 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 months period, the existing store will be excluded for 18 months from the month where the new store opens.

• *Comparable store sales growth excludes foreign currency translation effects.*

Financial statements – Parent Company

Income statement – Parent

1 January - 31 December

DKKm	Note	2017	2016
Revenue	2.1	2,328.8	2,081.7
Cost of sales		(1,816.4)	(1,638.1)
Gross profit		**512.4**	**443.6**
Other external expenses		(334.6)	(291.4)
Staff costs	2.2	(283.2)	(270.4)
Other operating income		8.7	-
EBITDA before special items		**(96.7)**	**(118.2)**
Amortisation and depreciation		(44.7)	(29.6)
Operating profit/(loss) (EBIT) before special items		**(141.4)**	**(147.8)**
Special items	2.3	(42.1)	(13.6)
Operating loss (EBIT)		**(183.5)**	**(161.4)**
Income from investments in subsidiaries		78.3	47.0
Financial income	4.4	22.5	14.9
Financial expenses	4.4	(41.3)	(53.1)
Loss before tax		**(124.0)**	**(152.6)**
Tax on loss for the year	2.4	40.1	37.0
Loss for the year		**(83.9)**	**(115.6)**
Proposed appropriation of loss for the year:			
Retained earnings		(83.9)	(115.6)
		(83.9)	**(115.6)**

Statement of other comprehensive income – Parent

DKKm	Note	2017	2016
Loss for the year (brought forward)		**(83.9)**	**(115.6)**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange hedging instruments:			
- Realised in inventories		5.0	(7.8)
- Realised in cost of sales		27.2	(7.1)
- Realised in financial income		-	(0.1)
- Fair value adjustments		(101.6)	55.7
Tax on hedging instruments		15.3	(8.9)
Other comprehensive income		**(54.1)**	**31.8**
Total comprehensive income for the year		**(138.0)**	**(83.8)**

Balance sheet

31 December

Assets

DKKm	**Note**	**2017**	**2016**
Intangible assets	3.1	245.2	196.2
Property, plant and equipment	3.2	51.1	59.1
Investment in subsidiaries and joint ventures	3.3	740.0	467.0
Receivables from subsidiaries	3.4	48.0	50.0
Deposits		17.6	16.7
Deferred tax	2.4	93.7	35.6
Non-current assets		**1,195.6**	**824.6**
Inventories	3.5	685.4	641.5
Income tax receivables		-	8.6
Receivables from subsidiaries	3.4	264.5	185.6
Receivables from joint ventures		2.8	3.6
Derivative financial instruments		-	53.6
Other receivables		21.4	44.8
Prepayments		6.8	7.7
Cash and cash equivalents		22.1	92.7
Current assets		**1,003.0**	**1,038.1**
Assets		**2,198.6**	**1,862.7**

Balance sheet – Parent

31 December

Equity and liabilities			
DKKm	**Note**	**2017**	**2016**
Share capital	4.1	0.5	0.5
Currency hedging reserve		(19.8)	34.3
Development costs reserve		134.5	88.8
Retained earnings		41.4	147.1
Equity		**156.6**	**270.7**
Other provisions	3.6	12.3	12.1
Bank debt	4.2, 4.5	1,014.6	911.9
Deferred considerations	4.2	120.3	150.9
Other non-current liabilities	4.2	2.1	0.5
Non-current liabilities		**1,149.3**	**1,075.4**
Bank debt	4.2, 4.5	-	0.2
Trade payables	4.2	401.1	402.6
Amounts payable to subsidiaries	4.2, 4.5	96.7	2.8
Deferred considerations	4.2	267.5	5.9
Derivative financial instruments	4.2	45.7	-
Other payables	3.7, 4.2	81.7	105.1
Current liabilities		**892.7**	**516.6**
Liabilities		**2,042.0**	**1,592.0**
Equity and liabilities		**2,198.6**	**1,862.7**

Statement of changes in equity – Parent

DKKm	Share capital	Currency hedging reserve	Development costs reserve	Retained earnings	Total
2017					
Equity at 01.01.	**0.5**	**34.3**	**88.8**	**147.1**	**270.7**
Loss for the year	-	-	-	(83.9)	(83.9)
Other comprehensive income for the year, net of tax	-	(54.1)	-	-	(54.1)
Capitalised development costs	-	-	45.7	(45.7)	-
Transactions with owners:					
Share capital increase	0.0	-	-	23.9	23.9
Equity at 31.12.	**0.5**	**(19.8)**	**134.5**	**41.4**	**156.6**
2016					
Equity at 01.01.	**0.5**	**2.5**	**-**	**349.5**	**352.5**
Loss for the year	-	-	-	(115.6)	(115.6)
Other comprehensive income for the year, net of tax	-	31.8	-	-	31.8
Capitalised development costs	-	-	88.8	(88.8)	-
Transactions with owners:					
Share capital increase	0.0	-	-	2.0	2.0
Equity at 31.12.	**0.5**	**34.3**	**88.8**	**147.1**	**270.7**

Cash flow statement – Parent

DKKm	Note	2017	2016
Operating profit/(loss) (EBIT) before special items		**(141.4)**	**(147.8)**
Depreciation and amortisation		44.7	29.6
Special items paid		(34.1)	(5.1)
Working capital changes	3.8	57.9	(82.4)
Other non-cash adjustments		(82.1)	117.1
Interest income received		8.8	9.2
Interest expenses paid		(33.6)	(29.9)
Taxes paid/received		5.8	(0.9)
Cash flows from operating activities		**(174.0)**	**(110.2)**
Investment in intangible assets		(77.5)	(113.7)
Sale of intangible assets		1.3	-
Investment in property, plant and equipment		(10.0)	(21.7)
Sale of property, plant and equipment		0.6	-
Investment in joint ventures		-	(13.0)
Investment in subsidiaries		(40.9)	(222.4)
Loans to subsidiaries		(54.2)	(31.2)
Dividend from subsidiaries		78.3	47.0
Change in deposits		(0.9)	(0.7)
Cash flow from investing activities		**(103.3)**	**(355.7)**
Free cash flow		**(277.3)**	**(465.9)**
Share capital increase		23.9	2.0
Proceeds from loans and borrowings	4.5	182.8	910.6
Repayment of loans and borrowings		-	(404.4)
Cash flow from financing activities		**206.7**	**508.2**
Increase in cash and cash equivalents		**(70.6)**	**42.3**
Cash and cash equivalents at 1 January		92.7	50.4
Cash and cash equivalents at 31 December		**22.1**	**92.7**

Unutilised credit facilities for the Parent Company were DKK 229.9m at 31 December 2017 (2016: DKK 399.7m).
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 recognized in profit or loss in financial income or financial expenses. In the consolidated financial statements, the currency adjustment is recognised in other comprehensive income.

Options held to acquire non-controlling interests in certain subsidiaries
Put and call options held for the acquisition of non-controlling interests in certain subsidiaries are accounted for as derivatives over the company at fair value through profit and loss.

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 carrying amount of the investments sold and the fair value of the sales proceeds.

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.

Standards issued but not yet effective
In addition to the impact described in note 1.1 to the consolidated financial statements, Zebra A/S has assessed that IFRS 9 'Financial instruments' will have an impact on the separate financial statements for Zebra A/S.

The simplified expected loss model will be applied to intercompany loans and receivables, but will not significantly impact the allowance for doubtful receivables. However, the implementation of IFRS 9 will impact disclosures on the allowance for doubtful receivables. The standard will be implemented using January, 2018 as the date of initial application and Zebra will make use of the relief from restating comparative figures.

Furthermore, the exception in IAS 39 allowing options over the remaining ownership interests to be measured at cost due to fair value cannot be determined reliably is not brought forward to IFRS 9.

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 the carrying amount (cost) of investments in subsidiaries or joint ventures being impaired, any 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

DKKm	2017	2016
Retail sale	505.6	532.7
Wholesale, affiliated entities	1,823.2	1,549.0
Total	**2,328.8**	**2,081.7**

2.2 Staff costs

DKKm	2017	2016
Salaries and wages	254.7	250.0
Pension contributions	24.0	21.2
Other social security costs	2.1	3.4
Other staff costs	14.4	12.9
Total	**295.2**	**287.5**
Capitalised salaries and wages related to development projects	(12.0)	(17.1)
Recognised in the income statement	**283.2**	**270.4**
Average number of full-time equivalents	**613**	**651**
Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management*	17.8	15.5
Total remuneration, Board of Directors	1.5	1.7
Total	**19.3**	**17.2**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages*	18.5	16.2
Pensions	0.8	1.0
Total	**19.3**	**17.2**

*Includes severance payments.

2.3 Special items

DKKm	2017	2016
Strategic procurement project	-	3.9
Costs related to strategy project	18.8	-
Costs associated with the establishment of new management team	21.2	8.7
Costs related to partner buyouts	2.1	1.0
Total	**42.1**	**13.6**

2.4 Income taxes and deferred tax

Tax costs

DKKm	2017	2016
Current tax	2.7	0.4
Change in deferred tax during the year	(41.7)	(37.4)
Adjustment to deferred tax concerning previous years	(1.1)	-
Total	**(40.1)**	**(37.0)**

Tax reconciliation

DKKm	2017	2016
Loss before tax	(124.0)	(152.6)
Calculated 22.0% on loss before tax	(27.3)	(33.6)
Tax effect from:		
Non-taxable income and non-deductible expenses	(11.7)	(3.4)
Adjustments concerning previous years	(1.1)	-
Total	**(40.1)**	**(37.0)**
Effective tax rate	**32.3%**	**24.2%**

Effective tax rate adjusted for non-taxable income from investments in subsidiaries is 19.8% (2016: 19.1%).

2.4 Income taxes and deferred tax (continued)

Deferred tax

DKKm	2017	2016
Deferred tax assets	93.7	35.6
Total	**93.7**	**35.6**

DKKm	Deferred tax 01.01.	Recognised in profit and loss	Recognised in other comprehen-sive income	Deferred tax 31.12.
2017				
Intangible assets	(1.8)	6.0	-	4.2
Property, plant and equipment	3.9	3.9	-	7.8
Inventories	25.5	(13.5)	-	12.0
Provisions etc.	8.7	(2.8)	-	5.9
Foreign exchange hedging	(9.7)	-	15.3	5.6
Tax losses to be carried forward	9.0	49.2	-	58.2
Deferred tax	**35.6**	**42.8**	**15.3**	**93.7**
2016				
Intangible assets	(4.7)	2.9	-	(1.8)
Property, plant and equipment	2.9	1.0	-	3.9
Inventories	3.7	21.8	-	25.5
Provisions etc.	6.0	2.7	-	8.7
Foreign exchange hedging	(0.8)	-	(8.9)	(9.7)
Tax losses to be carried forward	-	9.0	-	9.0
Deferred tax	**7.1**	**37.4**	**(8.9)**	**35.6**

3.1 Intangible assets

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
2017						
Cost 01.01.	12.5	18.0	1.1	80.3	105.6	217.5
Additions	-	-	-	5.5	0.5	6.0
Additions, internal development	-	-	-	54.1	17.4	71.5
Transfer	-	-	-	104.2	(104.2)	-
Disposals	-	(1.9)	(0.3)	(1.1)	-	(3.3)
Cost 31.12.	**12.5**	**16.1**	**0.8**	**243.0**	**19.3**	**291.7**
Amortisation 01.01.	-	(8.2)	(0.1)	(13.0)	-	(21.3)
Amortisation	-	(0.9)	-	(25.4)	-	(26.3)
Disposals	-	1.1	-	-	-	1.1
Amortisation 31.12.	**-**	**(8.0)**	**(0.1)**	**(38.4)**	**-**	**(46.5)**
Carrying amount 31.12.	**12.5**	**8.1**	**0.7**	**204.6**	**19.3**	**245.2**
2016						
Cost 01.01.	12.5	18.0	1.1	25.1	47.1	103.8
Additions	-	-	-	4.8	-	4.8
Additions, internal development	-	-	-	-	108.9	108.9
Transfer	-	-	-	50.4	(50.4)	-
Cost 31.12.	**12.5**	**18.0**	**1.1**	**80.3**	**105.6**	**217.5**
Amortisation 01.01.	-	(7.3)	(0.1)	(2.1)	-	(9.5)
Amortisation	-	(0.9)	-	(10.9)	-	(11.8)
Amortisation 31.12.	**-**	**(8.2)**	**(0.1)**	**(13.0)**	**-**	**(21.3)**
Carrying amount 31.12.	**12.5**	**9.8**	**1.0**	**67.3**	**105.6**	**196.2**

Net loss from disposals of intangible assets amounts to DKK 0.9m (2016: DKK 0m).

3.2 Property, plant and equipment

DKKm	Leasehold improvements	Store furniture	Other equipment	Total
2017				
Cost 01.01.	52.1	43.3	22.5	117.9
Additions	6.2	3.8	0.2	10.2
Disposals	(2.8)	(1.8)	(8.3)	(12.9)
Cost 31.12.	**55.5**	**45.3**	**14.4**	**115.2**
Depreciation 01.01.	(20.2)	(21.8)	(16.8)	(58.8)
Depreciation	(6.4)	(7.2)	(3.2)	(16.8)
Disposals	2.0	1.3	8.2	11.5
Depreciation 31.12.	**(24.6)**	**(27.7)**	**(11.8)**	**(64.1)**
Carrying amount 31.12.	**30.9**	**17.6**	**2.6**	**51.1**
2016				
Cost 01.01.	43.5	35.7	21.8	101.0
Additions	12.7	9.7	2.0	24.4
Disposals	(4.1)	(2.1)	(1.3)	(7.5)
Cost 31.12.	**52.1**	**43.3**	**22.5**	**117.9**
Depreciation 01.01.	(18.0)	(16.6)	(14.0)	(48.6)
Depreciation	(6.0)	(7.0)	(3.8)	(16.8)
Disposals	3.8	1.8	1.0	6.6
Depreciation 31.12.	**(20.2)**	**(21.8)**	**(16.8)**	**(58.8)**
Carrying amount 31.12.	**31.9**	**21.5**	**5.7**	**59.1**

Net loss from selling or scrapping of property, plant and equipment amounts to DKK 0.7m (2016: DKK 1.0m).

3.2 Property, plant and equipment (continued)

Operating leases **DKKm**	**2017**	**2016**
Non-cancellable operating lease commitments		
Not later than 1 year	56.9	60.6
1-5 years	89.2	96.6
Later than 5 years	0.9	6.9
Total	**147.0**	**164.1**

Operating leases relate to leases of stores, headquarters and equipment with lease terms up to 10 years.

Lease payments recognised in the income statement relating to operating leases amount to DKK 154.2m (2016: DKK 127.9m). Contingent (sale-based) rent included in lease payments amounts to DKK 2.5m (2016: DKK 2.4m).

3.3 Investment in subsidiaries and joint ventures

Zebra Japan K.K.
The investment in joint ventures has in 2016 and 2017 consisted of the investment in Zebra Japan K.K. who markets and sells products from Flying Tiger Copenhagen on the Japanese market.

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

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

The applied assumptions are disclosed in note 3.3 to the Consolidated Financial Statements.

The turnaround plan initiated in 2016 in order to improve the financial performance in the joint venture is still active.

DKKm	Investment in subsidiaries	Investment in joint ventures	Total
2017			
Cost 01.01.	434.4	53.1	487.5
Additions	273.0	-	273.0
Cost 31.12.	**707.4**	**53.1**	**760.5**
Impairment losses 01.01.	(2.5)	(18.0)	(20.5)
Impairment losses 31.12.	**(2.5)**	**(18.0)**	**(20.5)**
Carrying amount 31.12.	**704.9**	**35.1**	**740.0**
2016			
Cost 01.01.	87.1	40.1	127.2
Additions	347.3	13.0	360.3
Disposals	(0.0)	-	(0.0)
Cost 31.12.	**434.4**	**53.1**	**487.5**
Impairment losses 01.01.	(2.5)	-	(2.5)
Impairment losses	-	(18.0)	(18.0)
Impairment losses 31.12.	**(2.5)**	**(18.0)**	**(20.5)**
Carrying amount 31.12.	**431.9**	**35.1**	**467.0**

See note 5.5 to the consolidated financial statements for a list of Group companies.

3.4 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 which usually corresponds to the nominal value less writedowns to counter for the risk of loss.

Impairment losses relating to trade receivables are deducted from the carrying amount and is recognised in the Income statement under other external expenses. Impairment losses relating to intercompany loans are deducted from the carrying amount and is recognised in the income statement under financial expenses.

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

Significant accounting estimates and judgments
Write-downs for anticipated doubtful debts are based on an individual assessment of each receivable. If there is an indication of the carrying amount of receivables being impaired, any impairment loss is determined based on the calculation of the value-in-use of the relevant entity.

The write-down is calculated as the difference between the carrying amount and the present value of estimated future cash flows based on budgets and business plans for 2018. The long-term growth rate in the terminal period have been set equal to the expected long-term rate of inflation of 2%. A pre-tax discount rate of 10.2% is used to calculate the recoverable amounts, representing the weighted average cost of capital. The discount rate reflects current market assessments of the time value of money and the risk specific to the asset.

The impairment test for 2017 resulted in an impairment loss of DKK 3.4m regarding the long-term loans to subsidiaries and has been recognised in financial expenses in 2017 (2016: DKK 4.4m). Furthermore, a reversal of previous years impairment amounted to DKK 7.1m recognised in financial income (2016: DKK 0.0m). At 31 December 2017, a total provision for doubtful debt of DKK 9.5m has been recognised in the intercompany loans (2016: DKK 13.4m). There has been no impairment losses of the short-term trade receivable from subsidiaries in 2017 and 2016.

DKKm	**2017**	**2016**
Receivables by origin		
Trade receivables	134.1	115.1
Intercompany loans	178.4	120.5
Total	**312.5**	**235.6**
Aging		
Not due	221.4	188.0
Post due less than 30 days	34.6	20.6
Post due between 30 and 90 days	43.0	15.2
Post due more than 90 days	13.5	11.8
Total	**312.5**	**235.6**
Maturity		
Due within 1 year	264.5	185.6
Due between 1 and 5 years	48.0	50.0
Total	**312.5**	**235.6**

3.5 Inventories

DKKm	2017	2016
Finished goods	741.5	779.7
Writedowns	(56.1)	(138.2)
Total	**685.4**	**641.5**
Writedowns 01.01.	(138.2)	(21.0)
Writedowns, during the year	(17.0)	(120.5)
Writedowns, utilised during the year	99.1	3.3
Writedowns, reversed during the year	-	-
Writedowns 31.12.	**(56.1)**	**(138.2)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 62.4m (2016: DKK 40.8m).

3.6 Other provisions

DKKm	2017	2016
Provisions 01.01.	12.1	9.5
Provisions, during the year	0.3	2.6
Provisions, reversed during the year	(0.1)	-
Provisions 31.12.	**12.3**	**12.1**
Non-current provisions	12.3	12.1
Total	**12.3**	**12.1**

Other provisions relate mainly to restoration obligations in connection with vacating leased premises. The expected costs and timing are by nature uncertain. No provisions are discounted as the impact is considered insignificant.

3.7 Other payables

DKKm	2017	2016
VAT and other indirect taxes	14.5	0.4
Employee costs	47.7	49.4
Other	19.5	55.3
Total	**81.7**	**105.1**

3.8 Working capital changes

DKKm	2017	2016
Change in inventories	38.2	(256.0)
Change in receivables from subsidiaries	(19.0)	(28.5)
Change in receivables from joint ventures	0.8	(1.4)
Change in other receivables	23.4	(17.2)
Change in prepayments	1.1	(1.8)
Change in trade payables	33.8	208.5
Change in payables to subsidiaries	10.4	(3.2)
Change in other payables	(30.8)	17.2
Total	**57.9**	**(82.4)**

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
2017					
Financial liabilities					
Bank debt	19.3	1,048.4	-	1,067.7	1,014.6
Deferred considerations	267.5	120.3	-	387.8	387.8
Financial derivative instruments	45.7	-	-	45.7	45.7
Other non-current liabilities	-	2.1	-	2.1	2.1
Trade payables	401.1	-	-	401.1	401.1
Amounts payable to subsidiaries	96.7	-	-	96.7	96.7
Other payables	81.7	-	-	81.7	81.7
Total	**912.0**	**1,170.8**	**-**	**2,082.8**	**2,029.7**
2016					
Financial liabilities					
Bank debt	19.4	954.6	-	974.0	912.1
Deferred considerations	5.9	150.9	-	156.8	156.8
Other non-current liabilities	-	0.5	-	0.5	0.5
Trade payables	402.6	-	-	402.6	402.6
Amounts payable to subsidiaries	2.8	-	-	2.8	2.8
Other payables	105.1	-	-	105.1	105.1
Total	**535.8**	**1,106.0**	**-**	**1,641.8**	**1,579.9**

4.3 Financial derivative instruments

Accounting policies
As further described in note 1.2, put and call options for the acquisition of non-controlling interests are accounted for at fair value. At the balance sheet date, it is assessed that the fair value of these options cannot be determined reliably and consequently the options are measured at cost which is a net amount of DKK 0m (2016: DKK 0m).

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.

4.4 Net financials

DKKm	**2017**	**2016**
Financial income		
Interest on financial assets measured at amortised cost	0.3	0.1
Interest from subsidiaries	8.0	9.1
Commission fee from subsidiaries	0.5	-
Gains on derivative financial instruments not designated as hedges	0.5	-
Reversal of write-down of receivables from subsidiaries	7.1	-
Exchange rate adjustments, net	6.1	5.7
Total	**22.5**	**14.9**
Financial expenses		
Bank charges*	12.4	15.2
Interest on financial liabilities measured at amortised cost	24.3	15.4
Losses on derivative financial instruments not designated as hedges	1.2	-
Impairment losses related to investment in joint ventures	-	18.0
Write-down of receivables from subsidiaries	3.4	4.5
Total	**41.3**	**53.1**
Net financials	**(18.8)**	**(38.2)**

*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.	Cash movements financing activities	Cash movements operating activities	Non-cash movements	Liabilities 31.12.
2017					
Financial liabilities					
Bank debt	912.1	99.4	-	3.1	1,014.6
Amounts payable to subsidiaries	2.8	83.4	10.5	-	96.7
Total	**914.9**	**182.8**	**10.5**	**3.1**	**1,111.3**

5.1 Fees to statutory auditor

DKKm	2017	2016
EY		
Statutory audit of financial statements	0.7	0.5
Other assurance engagements	0.4	0.7
Tax advisory services	1.2	2.1
Other services	5.6	5.7
Total	**7.9**	**9.0**

5.2 Related parties

Please refer to note 5.2 to the consolidated financial statements for information on related parties.

Subsidiaries and joint ventures
Refer to note 5.5 to the consolidated financial statements for a list of subsidiaries.

The Parent has had the following transactions with related parties:

DKKm	Subsidiaries	Joint ventures	Total
2017			
Sale of goods	1,736.0	68.4	1,804.4
Royalty and service fee	1.8	14.9	16.7
Dividends received	78.3	-	78.3
Interests	2.0	-	2.0
Commitment and facility fees on loans	0.5	-	0.5
2016			
Sale of goods	1,496.2	30.4	1,526.6
Royalty and service fee	0.4	21.6	22.0
Dividends received	47.0	-	47.0
Interests	9.1	-	9.1

There has been no transactions with the controlling shareholder and companies owned or otherwise controlled by the shareholders. Remuneration paid to key management personnel are included in note 2.2.

Amounts receivable/payable with related parties

DKKm	2017	2016
Current loans:		
Receivables from subsidiaries, long term	48.0	50.0
Receivables from subsidiaries, short term	264.5	185.6
Receivables from joint ventures	2.8	3.6
Payables to subsidiaries	(96.7)	(2.8)
Total	**218.6**	**236.4**

The amounts outstanding are unsecured and will be settled in cash. Please refer to note 3.4 regarding impairment loss on receivables from subsidiaries.

5.3 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 guaranteed or provided a guarantee for banking facilities, etc. for subsidiaries at a total of DKK 61.8m (2016: DKK 85.8m).

The Parent has provided a guarantee to the Japanese joint venture's bank which amounts to a maximum of DKK 80.0m (2016: DKK 87.4m). At 31 December 2017 the guaranteed amount constituted DKK 60.6m (2016: DKK 84.3m).

Contractual obligation
In addition to the lease commitment disclosed in note 3.2, the contractual obligations related to service contracts amounted to DKK 34.0m (2016: DKK 45.5m). Aside from liabilities recognised in the balance sheet, no significant losses are expected to incur as a result from contractual obligations.

Pledged assets
A letter of indemnity (company charge) of nominal DKK 30.0m (2016: 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 (2016: DKK 25.0m).

The carrying amount of pledged assets is stated below:

DKKm	**2017**	**2016**
Pledged assets		
Leasehold rights	8.1	9.8
Goodwill	12.5	12.5
Trademarks	0.7	1.0
Leasehold improvements	30.9	31.9
Other equipment	2.6	5.7
Store furniture	17.6	21.5
Inventories	685.4	641.5
Receivables	295.5	241.7
Total	**1,053.3**	**965.6**

5.4 Events after the balance sheet date

No events have occurred after the balance sheet date that have a material impact on the financial position of the Parent.

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FROM DKK 15

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 2017.

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 2017, the results of the Group and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017.

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, 24 May 2018

Executive Management

Mette Maix CEO	Carsten Fensholt CFO

Board of Directors

Vagn Ove Sørensen Chairman	Jacob Bier Vice Chairman	Manel Adell Domingo	Rolf Eriksen
Michael Hauge Sørensen	Morten Hummelmose	Lennart Lajboschitz	Margaret McDonald

Independent Auditors' 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 2017, 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 2017 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 2017 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, 24 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
MNE no.: mne 21332

Thomas Bruun Kofoed
State Authorised
Public Accountant
MNE no.: mne 28677

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