Annual Report 2016

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

Annual General Meeting: 06.04.2017
Conducter: Anne Baltzer

Zebra A/S

RAIN PONCHO
DKK 30

Catalyst for people's dreams and ideas

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And the winner is…

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New product launches

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Halløj Korea

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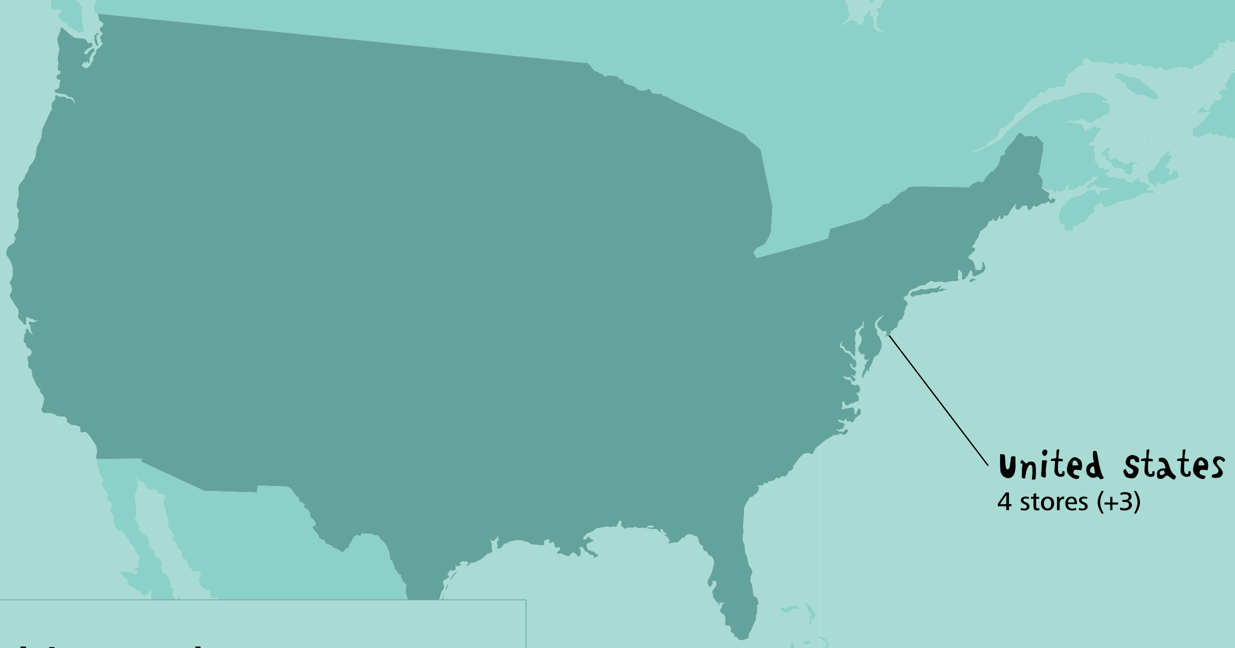
Content

The world of Flying Tiger Copenhagen

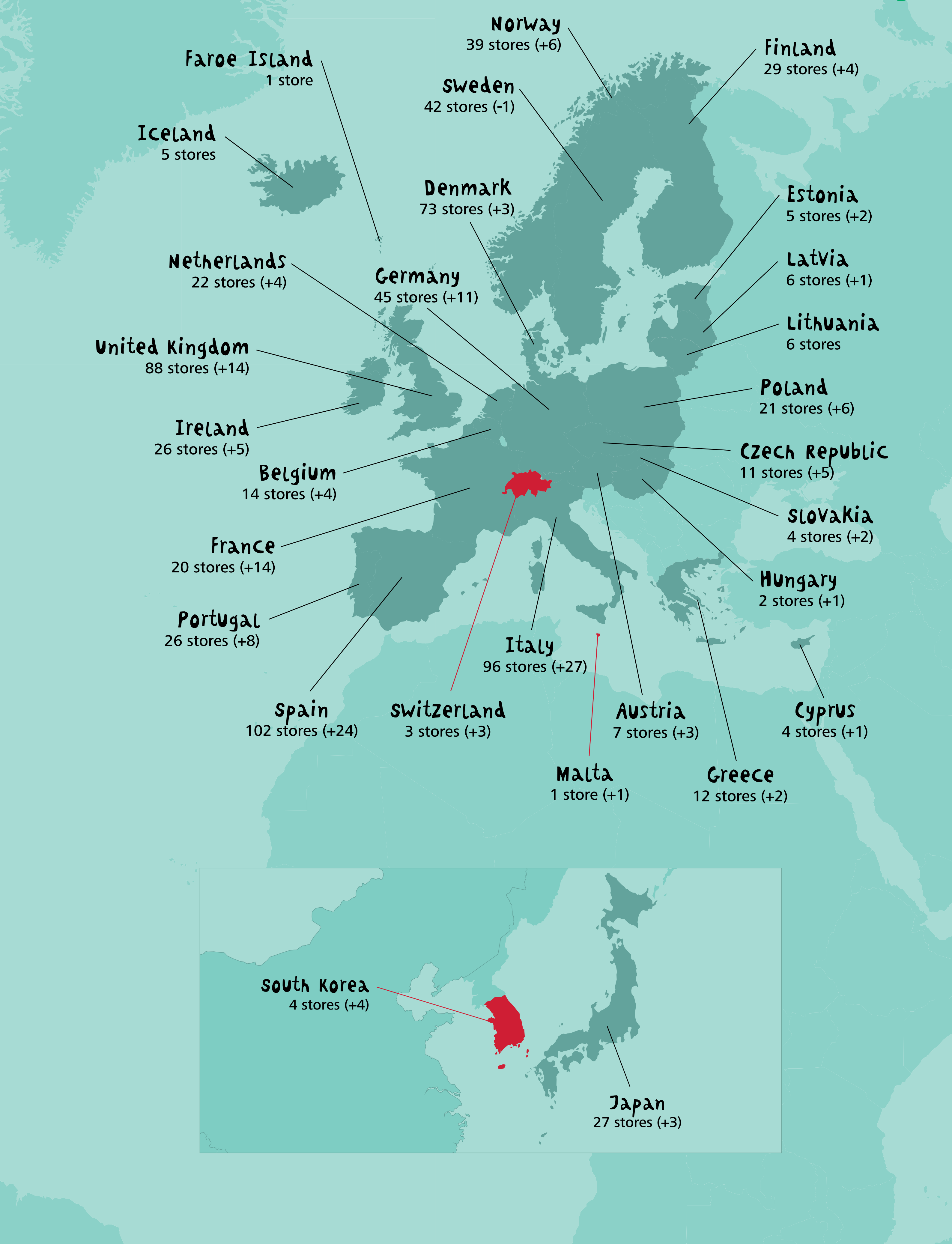
Zebra A/S, the parent company of the Flying Tiger Copenhagen stores, is a rapidly expanding variety retailer founded in Denmark. Our stores offer new, fun and useful products at affordable prices, which are marketed internationally under the Flying Tiger Copenhagen brand name. By the end of 2016 the Group operated 745 stores in 30 countries across Europe, Asia and the US. During the past year, more than three new Flying Tiger Copenhagen stores opened every week. Working continuously with innovative design and product development, up to 300 new products are introduced every month. Our product categories include home, toys, hobby, party, snacks, electronics, gadgets, fashion accessories and more. We keep our stores bright and easy to navigate with our Scandinavian decor being a differentiating characteristic.



Flying Numbers

Revenue	Adjusted EBITDA
4,274	443
DKKm	DKKm

Stores	Countries
745	30
incl. Japanese joint venture	across Europe, Asia and the US


Norway
39 stores (+6)
Faroe Island
1 store
Sweden
42 stores (-1)
Finland
29 stores (+4)
Iceland
5 stores
Denmark
73 stores (+3)
Estonia
5 stores (+2)
Netherlands
22 stores (+4)
Germany
45 stores (+11)
Latvia
6 stores (+1)
Lithuania
6 stores
United Kingdom
88 stores (+14)
Poland
21 stores (+6)
Ireland
26 stores (+5)
Czech Republic
11 stores (+5)
Belgium
14 stores (+4)
Slovakia
4 stores (+2)
France
20 stores (+14)
Hungary
2 stores (+1)
Portugal
26 stores (+8)
Italy
96 stores (+27)
Spain
102 stores (+24)
Switzerland
3 stores (+3)
Austria
7 stores (+3)
Cyprus
4 stores (+1)
Malta
1 store (+1)
Greece
12 stores (+2)
South Korea
4 stores (+4)
Japan
27 stores (+3)

2016 Highlights

Revenue growth

20%

Net store openings

160

Adjusted EBITDA

443

DKKm

Return on invested capital

20%

Key figures

DKKm	2016	2015	2014	2013	2012
Income statement					
Revenue	4,274.0	3,571.7	2,464.2	1,710.9	1,100.2
Gross profit	2,577.8	2,226.9	1,529.9	1,035.8	660.0
EBITDA before special items	368.2	497.8	364.2	242.3	164.9
EBIT	186.7	343.7	286.5	223.9	132.4
Result from financial items	(57.9)	(52.4)	(27.2)	(36.2)	(12.4)
Profit before special items, after tax[1]	92.7	242.5	195.7	116.7	92.7
Profit for the year	82.1	209.8	195.7	147.7	88.8
Adjusted EBITDA[2]	443.2	497.8	364.2	242.3	164.9
Financial position at 31 December					
Invested capital	1,116.5	846.4	760.5	389.2	259.8
Total assets	2,743.5	2,009.9	1,555.9	929.7	580.6
Net working capital	118.0	152.3	318.2	101.9	116.0
Net interest-bearing debt[1]	493.0	94.1	155.2	12.2	27.6
Equity before recognition of provisions for acquisition of non-controlling interests	466.7	720.4	605.3	377.0	232.2
Provision for acquisition of non-controlling interests	490.3	850.7	704.8	363.5	234.0
Equity	(23.6)	(130.3)	(99.5)	13.5	(1.8)
Cash flow and investments					
Cash flows from operating activities	261.2	490.2	65.0	139.3	74.3
Cash flows from investing activities	(416.2)	(396.9)	(199.8)	(148.6)	(97.6)
Investment in property, plant and equipment	(263.4)	(292.3)	(159.7)	(130.0)	(83.0)
Free cash flow	(155.0)	93.3	(134.8)	(9.3)	(23.3)
Key ratio					
Revenue growth	19.7%	44.9%	44.0%	55.5%	54.9%
Gross margin[1]	60.3%	62.3%	62.1%	60.5%	60.0%
EBITDA margin before special items[1]	8.6%	13.9%	14.8%	14.2%	15.0%
Profit margin before special items, after tax[1]	2.2%	6.8%	7.9%	6.8%	8.4%
Profit margin	1.9%	5.9%	7.9%	8.6%	8.1%
Comparable store sales growth[1]	(6.4)%	0.3%	(1.0)%	1.0%	1.6%
Return on invested capital[1]	20.4%	47.8%	49.8%	59.9%	68.4%
Net working capital ratio[1]	2.8%	4.3%	12.9%	6.0%	10.5%
Leverage[1]	1.3x	0.2x	0.4x	0.1x	0.2x
Number of stores, including joint ventures	745	585	411	289	197
Adjusted EBITDA margin[2]	10.4%	13.9%	14.8%	14.2%	15.0%
Proforma consolidated financial information[3]					
Proforma revenue	4,415.2	3,726.2	2,562.8	1,735.0	-
Proforma adjusted EBITDA	445.2	497.0	371.1	245.3	-
Proforma adjusted EBITDA margin	10.1%	13.3%	14.5%	14.1%	-

[1] Key figures are defined in "Definition of key figures and ratios" on page 88.
[2] Adjusted EBITDA and adjusted EBITDA margin excludes the additional write down of DKK 75m as elaborated on page 19.
[3] Proforma consolidated financial information reflect a proforma proportionate consolidation of the 50% owned Japanese joint venture.

CATALYST FOR PEOPLE'S DREAMS AND IDEAS

"Flying Tiger Copenhagen is not only about products, it is about giving people experiences to share with their loved ones, about products as catalysts for experiences. Flying Tiger Copenhagen believes that relationships and experiences are what make people happy."

Lennart Lajboschitz
Founder

Mission and strategy

We want to ensure the long-term success of the Group through expanding our market presence and by ensuring healthy performance in the existing store portfolio. We will continue to find unique and relevant products for our customers, refine our brand, and further develop our concept.

PLANT POT
DKK 20

Our Flying Tiger Copenhagen Brand

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 passed 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 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.

Over the years, we have changed in many ways. Founder Lennart Lajboschitz developed the concept from a family-run store selling surplus goods, to a variety retail store, selling unique, relevant and fun things from stores all over the world under the brand names TGR, Flying Tiger and Flying Tiger Copenhagen.

From the summer of 2016 Flying Tiger Copenhagen was introduced as the global name for all stores. With one name, we ensure that customers meet us as one brand across all markets. The new brand name conveys a desire to match the unexpected; a tiger that flies is in itself a surprise and therefore helps to tell our story.

The Flying Tiger Copenhagen brand builds on our assortment, which is separated into products you need, products you dream of and products you never knew existed. We thereby want to be "Never Boring" through the unexpected combination of useful, fun, and new – all at affordable prices. Our assortment offers products for every occasion, which helps us stay relevant.

Our company mission is to be a catalyst for people's dreams and ideas. Let this be illustrated by a father that buys a football in the store and spends the day playing with his kids. Or a girl that gets a sketchpad and discovers how good she is at drawing; her mother that buys frames so that they can give the drawings as presents to the family. In that sense, the store facilitates more than a customer transaction; it stimulates personal relationships and enables an exceptional customer experience. We see the products as more

AND THE WINNER IS...

“A number of our products are created by our design team in Copenhagen and we are very proud to make Danish design accessible. We have won several international design awards in the past year. In 2016, our pleated container series “Fold” designed by our in-house designer Lovorika Banovic, was awarded the prestigious Red Dot Design Award and our water bottle “Hi Haj” made by our design team won the IF award. We believe that these honours serve as a strong validation of our design principles and they encourage us to continue to create signature Flying Tiger Copenhagen products.”

Charlotte Witmeur
Head of Category Management

reddot award 2016
winner

LOVORIKA BANOVIC
HEAD OF PRODUCT DESIGN

than functional objects; they help bring ideas to life. This is made possible through strong collaboration between our category managers who choose the products, our graphic designers who create the unique designs, and our friendly store staff that serve the customers every day. All this combined, conveys who we are and creates a unique customer experience.

Business model

Design and product selection

- Campaign cycle
  - Seasonal themes chosen by cross functional teams
  - Products selected after well-established review cycle
  - +50% of products re-designed by in-house design team
- Fixed assortment
  - Continuous review of product assortment

Sourcing

- Quantitative and qualitative analysis based on historical sales performance, current trends, as well as input from our local partners is evaluated to ensure a balanced purchasing decision
- Products sourced from +600 suppliers

Logistics

- Global distribution setup
- Strategically placed warehouse setup
- Door to door transport through forwarders
- Asset-light and highly scalable setup

Stores

- Located in high footfall locations
- Unique store experience centred around
  - Maze to guide the customer
  - Wide and relevant assortment
  - Scandinavian décor
  - Friendly, recognisable music
  - Good customer service
- Partner-driven expansion model to establish new stores in multiple countries

Corporate backbone

Partner model

Design and product selection

Our assortment consists primarily of proprietary products inspired by our Danish heritage and often with a quirky twist. Products are predominantly designed by our own design department or in close cooperation with external designers and our suppliers. Our Category Management team together with our in-house designers continually optimise the assortment by applying retail insight and monitoring new trends, with the aim of maintaining a fresh and relevant product assortment that appeals to our customers. We want to deliver value for money across our broad product range.

In 2016, we collaborated with external artists Misaki Kawai and David Shrigley on collections launched as part of two campaigns.

Our assortment includes categories ranging from home, hobby and party over toys, electronics and gadgets, to food and accessories and has a broad appeal across age and income groups. Each month the assortment is refreshed with up to 300 new products divided in two product campaigns, typically adapted to seasonal themes and/or festive occasions, e.g. Valentine's day, Back-to-School, Halloween, or Christmas. To ensure relevance we focus on current trends but never shy away from trying new ideas. In 2016, we have among others successfully introduced vinyl records, pet accessories and virtual reality glasses.

The seasonal campaign products are complemented by our fixed assortment consisting of around 800 products that are relevant across seasons and that our customers should always be able to find in the store.

FAN
DKK 5

Our products, both campaign and fixed assortment, are mainly offered at affordable round price points. The price range of the product offering is typically from 10 to 100 Danish kroner with focus on keeping the majority in the lower price range. Moreover, it is a key objective that the quality of products should meet or exceed the customer's expectations, as well as suppliers and producers being able to fulfill Zebra's corporate social responsibility ("CSR") requirements (see CSR section).

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 seek to ensure that quality and compliance requirements are met (see CSR section). We have more than 600 suppliers primarily located in China.

In order to ensure that products are in the right place at the right time we have established a cross-functional sales and operations planning process. As part of the process historical sales performance, current trends, as well as input from our local partners are being evaluated to ensure a balanced purchasing decision.

MUG
DKK 10

Logistics

A large part of logistics is handled by external operators facilitating an asset light and highly scalable logistics operation. In 2016, this has been further extended with a new warehouse in China to support our expansion in the Asia Pacific region through a robust and cost-effective logistical setup. Transportation is provided by forwarders, and while we operate our warehouse in Greve (DK), the warehouses in Barcelona (ES), Raunds (UK), New Jersey (US) and, Shanghai (China) are all operated by an external partner. In 2016, we handled more than 500,000 pallets corresponding to more than 15,000 truckloads or if laid out as a floor approximately 90 football fields.

Stores

Our stores are leased to minimise upfront investments and are located in high footfall locations on high streets and in popular shopping malls. The typical size is between 150 and 250 m² of selling space. The store appears open and light, laid out in a maze simple to navigate, enabling the customer to seek inspiration and discover the full range of products as they go along. The décor is Scandinavian with unpretentious, practical, wooden furniture, white walls and warm lighting from simple pendants that illuminate the products. The products are merchandised on pallet tables and slat walls and are all facing the customer while the friendly recognisable music creates a welcoming atmosphere.

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.

OUR SWISS PARTNER RAMON STAUFFER TOGETHER WITH HIS GIRLFRIEND AND DIRECTOR OF THE COMPANY JOHANNA

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 improve payment terms with our suppliers as well as improving coordination across the organisation.

IT infrastructure

We want to simplify our business and increase transparency as we grow by implementing a common IT system. Through investments in IT infrastructure, we want to streamline our business processes and ensure a greater level of standardisation to secure future scalability.

In 2016, we continued to work towards establishing a common group-wide ERP solution with an integrated Point of Sales (POS) terminal. We have added 5 territories to the platform bringing the total to 10 territories across 8 countries, covering more than 200 stores. In January 2017, all headquarter functions including finance, purchasing and store ordering went live on the new ERP platform.

The new group-wide ERP platform will strengthen the Group's infrastructure, support the expected growth as well as enable optimisation of the existing stores, supply chain and category management.

HIP FLASK
DKK 30

Partner model

Establishing new stores are 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 staffing, training and local marketing under specific guidelines set out by Zebra.

SUNGLASSES
From DKK 30

Partners are typically individuals or a small group of people with an entrepreneurial mind-set who are appointed after a thorough selection process based on their 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 shareholding 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, Northern Germany, Southern Sweden, Finland, Iceland, Scotland, USA as well as most of Poland are all fully owned. Furthermore, at year-end 2016, Zebra took over seven partners' shares in territories pertaining to Southeast and Northern England, the Netherlands, Barcelona, Madrid, Mallorca and Valencia in Spain, Berlin and Munich in Germany and the remaining parts of Sweden.

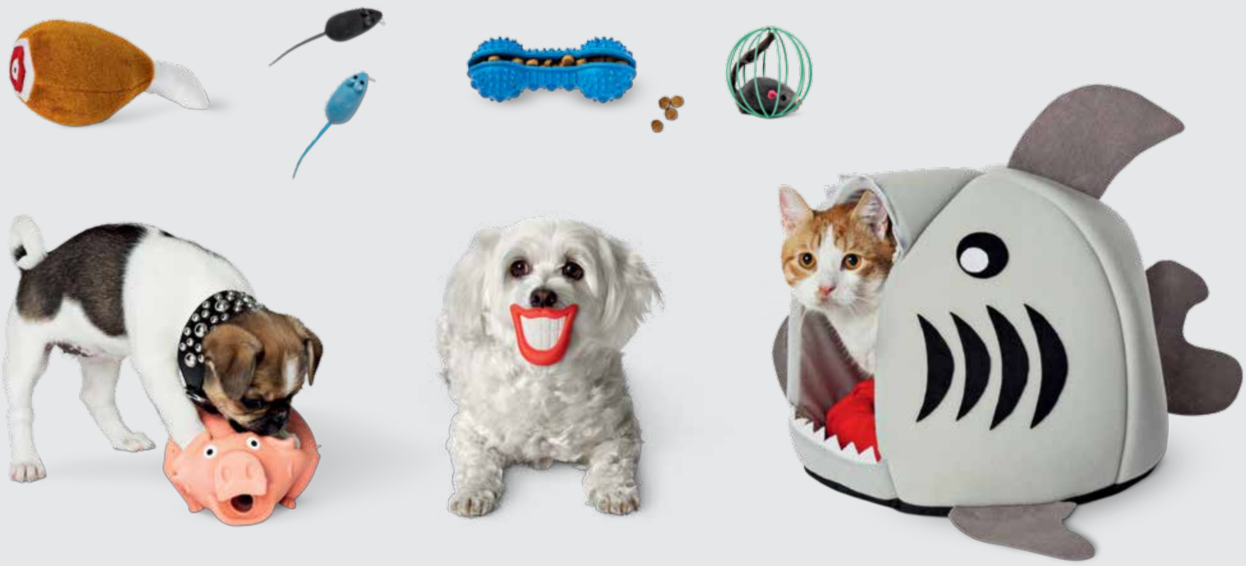
NOTEBOOK
DKK 5

Strategic levers to drive growth

To support our brand and keep refining our business model, we have a growth strategy centred around increasing comparable store sales while continuing to grow our footprint.

We continue to refine our offer to customers by initiatives focused on maintaining our ability to bring new, fun and useful products to the customer at the right price. A key part of our business model is to deliver value for money across our product range. We generate a significant share of revenue from the product campaigns and we consider this an important driver to increase store traffic and comparable store sales.

We follow a partner-driven expansion model to establish new stores in multiple countries at the same time. An experienced Retail team assists the partners in identifying and selecting locations for new stores as well as assist in lease negotiations. With only limited penetration in most markets outside Denmark, there is a significant potential for store expansion in existing as well as new markets.



NEW PRODUCT LAUNCHES

“We have always focused on giving our customers a fun and surprising shopping experience. We introduce up to 300 new products every month and we want our customers to smile and discover something new and useful every time they visit us. This year, we have introduced exciting new categories such as pet accessories and virtual reality glasses. Until now, virtual reality has only been for the lucky few. However, through our affordable prices we are making the glasses accessible for everyone and with the introduction of pet accessories we now cater to the whole family.

A visit to Flying Tiger Copenhagen is never boring and we will continue to surprise you with relevant products for every occasion.”

Morten Boesen
Commercial Director

Operating and financial review 2016

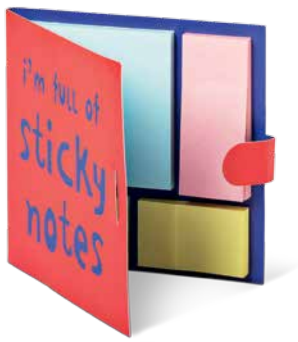
In 2016, we reached revenue of DKK 4,274m, an increase of 20% compared to 2015 driven by the expansion of our international store network. Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") amounted to DKK 443m compared to DKK 498m in 2015 while profit for the year ended at DKK 82m, compared to DKK 210m in 2015.

In 2016, we experienced an increase in the USD rate resulting in higher purchasing costs for goods bought in China impacting sales and earnings negatively. Furthermore, Management estimate that the development in the GBP rate negatively impacted the result by DKK 50m.

Operational issues also had a negative impact on the results for 2016. In the first half of 2016, we experienced availability issues mainly related to the fixed assortment and in the fourth quarter we were in some regions challenged with delayed deliveries of our Christmas assortment. This was largely a result of suboptimal forecasting, which management is taking actions to adjust. Comparable store sales was (6.4)% for the year.

In 2016, we experienced significantly higher than expected inventory write downs amounting to DKK 112m compared to DKK 17m in 2015. The increase is related primarily to stock at central warehouses and was mainly caused by lower than expected sales as well as parts of the assortment not performing in line with expectations. Consequently, we have reassessed our product strategy and have accordingly reviewed the valuation of our stock and found it necessary to make additional write downs based on Management judgment of approximately DKK 75m on top of the Group's general inventory write down guidelines.

The Board of Directors and Executive Management view the overall operational and financial performance of 2016 as unsatisfactory and have launched initiatives to enhance the focus on realising the Group's potential, with a clear target of returning to positive comparable store sales growth. These key initiatives will drive sales and operational scale as well as strengthen the corporate backbone. Amongst other initiatives, we have taken actions to increase the share of lower product price points in our assortment to underline our focus on affordable products and enhance our value for money proposition.



STICKY MEMOS
DKK 10

HALLØJ KOREA!

"We are very proud to have opened our first four stores in South Korea this year. South Korea is an interesting new market for our business, and the opening marks our second market entry in the Asia Pacific region. Our concept has been well received by customers and we look forward to expanding our footprint in the years to come.

We see South Korea as an important milestone in Flying Tiger Copenhagen's development as it proves that our concept works worldwide."

Paul Kimberley
North America and Asia Managing Director

Revenue development

Total revenue for 2016 was DKK 4,274m, an increase of 20% compared to 2015. The increase was driven by net new store openings in 2016 and the full-year effect of stores opened in 2015, contributing with approximately 13 percentage points and 14 percentage points of revenue growth respectively, while comparable store sales growth was (6.4)%.

In 2016, we opened net 157 stores (net 160 new stores including the Japanese joint venture) and entered three new markets. 9 stores were closed as part of the ongoing optimisation of our store footprint (10 stores including the Japanese joint venture).

More than 40% of the new stores opened in our five largest markets, which generated approximately two-thirds of total revenue. In 2016, Italy was the largest contributor to revenue followed by the United Kingdom, Spain, Denmark and Sweden.

In August, we opened our first store in South Korea and by year-end we operated a total of 4 stores. In addition to our South Korean entry, we are also pleased to have entered Switzerland and Malta in 2016. Another milestone was reached in November where we opened store number 700 in Hamburg, Germany. By the end of 2016, we operated 745 stores across 30 countries including Japan. With only limited store penetration outside Denmark the potential for store expansion is significant.

Top markets in 2016

	Revenue (DKKm)	Growth (%)	Net new stores
Italy	752	27%	27
UK	678	13%	14
Spain	538	20%	24
Denmark	533	-4%	3
Sweden	230	2%	-1
Subtotal	2,731	13%	67
Total	**4,274**	**20%**	**160**

Development in earnings

In 2016, the gross margin declined from 62.3% in 2015 to 60.3% in 2016, mainly driven by an increase in write downs of stock at the central warehouses. Write downs amounted to DKK 112m corresponding to a total of 2.6% of revenue. In 2015, this amounted to DKK 17m, equal to 0.5% of revenue.

Operating costs (staff costs and other external expenses) were DKK 2,210m in 2016 compared to DKK 1,729m in 2015, representing 51.7% of revenue in 2016 compared to 48.4% in 2015. The absolute increase was primarily driven by the opening of new stores, full-year impact of stores opened in 2015 and further strengthening of the corporate backbone.

Adjusted EBITDA amounted to DKK 443m compared to DKK 498m in 2015. The decline was driven by an unfavourable development in foreign exchange rates and operational issues. Due to these factors, the adjusted EBITDA margin ended at 10.4% – 3.5 percentage points lower than in 2015. Earnings before interest and tax ("EBIT") amounted to DKK 187m compared to DKK 344m in 2015. Management estimate that the development in the GBP rate impacted earnings negatively by DKK 50m.

Profit before special items, after tax amounted to DKK 93m compared to DKK 243m in 2015 down 62% driven by the decline in EBITDA and a higher effective tax rate.

EBITDA

DKKm	**2016**	**2015**
EBITDA before special items	368	498
Additional write downs	75	-
Adjusted EBITDA	**443**	**498**
Adjusted EBITDA margin	10.4%	13.9%

FLYING TIGER COPENHAGEN
LUZERN, SWITZERLAND

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

NWC decreased in absolute terms from DKK 152m in 2015 to DKK 118m in 2016 and NWC as a percentage of revenue decreased from 4.3% in 2015 to 2.8% of revenue in 2016. The decrease was driven by higher trade payables and other payables partially offset by higher inventory levels. Total inventory per store increased partly due to lower than expected sales.

Cash flow from investing activities increased from DKK (397)m to DKK (416)m, primarily driven by a continued high investment level related to opening of new stores. The remaining investments were related to investments in the corporate backbone including significant investments in our new ERP system as well as renovation of existing stores.

Free cash flow ended at DKK (155)m compared to DKK 93m in 2015 driven by lower EBITDA. Net interest-bearing debt was DKK 493m end of 2016, compared to DKK 94m in 2015. The buyouts of partnerships in 2016 impacted the net interest-bearing debt with DKK (222)m.

In 2016, we achieved a return on invested capital of 20.4% down from 47.8% in 2015. The invested capital increased from DKK 846m in 2015 to DKK 1,117m in 2016 driven primarily by increases in investments in new stores and inventory levels.

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 to Zebra, whereas Zebra holds a call option to acquire the partners' non-controlling interest. Under IFRS, Zebra is considered to control these partnerships, which leads to full consolidation under IFRS. Accordingly, the subsidiaries are fully consolidated in the 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. 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 2016 with the agreed notice period of 12 months. For certain partners including both exercised and not exercised, which constitute approximately 60% of the total provision, Zebra may limit the number of put options accepted to one every financial calendar year.

At the end of 2016, we gained full control of Sweden and the Netherlands as well as the key geographies in the UK including the greater London area as well as key areas in Spain including Madrid and Barcelona. We also took over the German partners covering the areas around Berlin and Munich. Going forward we will operate the seven partnerships as 100% owned subsidiaries bringing opportunities for achieving cost-synergies across partnerships where relevant. The Group's number of fully owned stores reached 335 corresponding to 45% of the total store base including Japan and 48% of the total proforma revenue base.

Equity

DKKm	2016	2015
Equity before recognition of provisions for acquisition of non-controlling interests	467	720
Provisions for acquisition of non-controlling interests	(490)	(851)
Equity according to IFRS	**(24)**	**(130)**

DIZZY GLASSES
DKK 30

In 2016, the provisions for acquisition of non-controlling interests (non-current and current in total) decreased to DKK 490m from DKK 851m in 2015. The decrease was driven by the takeover of partnerships.

Equity under IFRS amounted to DKK (24)m at 31 December 2016, compared to DKK (130)m at 31 December 2015 primarily driven by profit for the year offset by dividend paid to non-controlling interests.

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 partner have joint control of the operating company in Japan, which is why the profits from the joint venture is recognised in a single line item in the income statement and the investment is measured using the equity method.

Revenue increased by 2% in reporting currency from DKK 330m in 2015 to DKK 336m in 2016. In local currency, revenue fell 9% to JPY 5,419m. The revenue development was driven by full-year effect of stores opened in 2015 and net 3 store openings taking total number of stores to 27, which was more than offset by lower comparable store sales. EBITDA (net of royalty and service fee payments to Zebra of DKK 22m) for 2016 was DKK (1)m compared to DKK (2)m in 2015. The negative EBITDA in the Japanese joint venture in 2016 was driven by lower than expected sales. NWC improved from DKK 49m in 2015 to DKK 41m in 2016.

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 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.

Proforma consolidated financial information

The Group's proforma consolidated revenue, which reflects its 50% ownership of the Japanese joint venture, was in 2016 DKK 4,415m compared to DKK 3,726m in 2015. Proforma adjusted EBITDA for 2016 was DKK 445m, representing a decrease of 10% compared to 2015, and corresponding to a margin of 10.1%. The proforma financials are provided in key figures.

Proforma revenue

DKKm

4,415

in 2016

Organisation and Management

In early 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 will lead the company until a permanent CEO is appointed.

Outlook for 2017

In 2017, Zebra expects to continue the growth trajectory, primarily driven by store roll-outs in existing geographies. Overall, revenue is expected to grow in line with 2016 while we expect an increase in earnings. The initiatives launched in 2017 are not expected to have a positive full-year effect until 2018.

BOWLS
FROM DKK 10

Corporate social responsibility

Commitment and approach

We want our customers to be sure that when they buy a product from Flying Tiger Copenhagen, it has been produced with due respect for human rights and the environment. Our commitment to conduct our business ethically and responsibly cuts across all our operations and through-out our value chain.

In 2016, we refined our responsibility framework ‘it’s about caring’, outlining our five priority areas: People, Products, Planet, Partnerships and Policies.

"For Flying Tiger Copenhagen, responsibility is not only about managing risks, but about creating opportunities. It is an indispensable ingredient to build our long-term success and a sustainable brand."

Michael Hauge Sørensen, CEO (Interim).

People

The success of Flying Tiger Copenhagen rests with the employees who serves the customers in 30 countries across the world. People are key to the continued success and future expansion of the Flying Tiger Copenhagen concept. It is important that we can continue to attract, motivate and retain highly qualified employees at all levels of the organisation to support future growth. We enjoy great diversity in our corporate body having been able to attract a wide range of nationalities and educational backgrounds. We are dedicated to offer our people a great and engaging workplace with equal opportunities for all.

Training

It is our responsibility to build the competencies of our people and ensure that they develop their professional career. In 2015, we created a worldwide Tiger Trainer Team who continuously train our many store managers. A new module is launched every year and is linked to both our leadership model and values. In 2016, we also launched an international leadership program for our 80 district managers. It is a 1.5-year programme where the district managers meet across the countries and thereby builds an international network with their peers.

Products

A strong supply chain is absolutely critical for us in order to continue offering our customers useful, fun, and new products at affordable prices. While price matters, we find that more and more costumers ask themselves: is the product safe to use? and has it been produced responsibly with respect for the people and the environment?

We want to meet our customer's expectations. For that reason, we have an on-going focus on continuously improving our compliance processes with regards to quality, safety and responsibility at the factory level. We offer a broad product assortment to our customers. We do not produce the products ourselves, but purchase them from more than 600 suppliers worldwide. To ensure that the suppliers meet our requirements, we work closely with them to build their capabilities in terms of quality, safety and social compliance.

Safe products

All products go through our product safety process. This means that all materials have to be approved prior to purchase through our Bill of Material process. Our test programme is based on a risk assessment of the product, focusing on high-risk products e.g. toys, electronics and food-contact products. As a minimum, we always comply with the EU requirements or the applicable national legislation, whichever sets the highest standards. In 2016, we have focused on three areas:

1. Strengthening and refining the product safety process and the tools applied in the process. Through this we ensure that all products are handled and tested accordingly.
2. Initiated closer collaboration with our key suppliers to improve their capabilities to better understand and meet our safety and quality requirements in our supplier engagement programme.
3. Despite our solid product safety process, we cannot avoid facing quality issues with some of our products from time to time. Therefore, we conduct close monitoring of customer feedback including systematic logging of customer complaints and careful handling of each case.

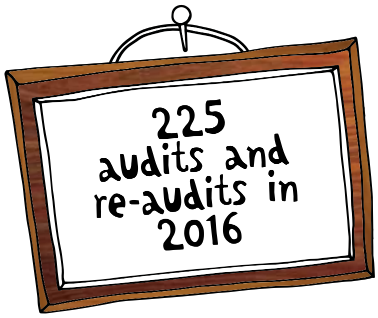
Responsible sourcing

From a responsibility point of view, using traders and intermediaries adds complexity to our CSR governance. The majority of our purchasing is done through trading companies who source our products from a range of different factories. Through our social compliance process, we work to ensure that factories selected on our behalf can meet our requirements and that the people producing our products are treated with respect and provided with fair working conditions.

The process follows 3 steps:

1. All vendors sign our Zebra Supplier Code of Conduct, which we updated in 2016 (www.corporate.flyingtiger.com/csr). The Code defines expectations in the areas of workplace health and safety, working hours, wages, terms of employment, ethics and environmental protection. It is based on international standards as defined by the United Nations (UN) and the International Labour Organisation (ILO) and prohibits child labour, forced labour, discrimination, life-threatening working conditions and abusive disciplinary practices. Additionally, vendors are asked to respect and comply with our policies on Child Labour, Homeworkers and Animal Welfare. In 2016, the Supplier Code of Conduct was rolled-out to all of our active product vendors.
2. Factories are evaluated through on-site audits by our own auditor team based in China or from an independent third-party organisation on our behalf. The audits combine a physical assessment of the site, document reviews and interviews with workers and management. In 2016, we have focused on strengthening our auditing tools, allowing us to have more transparent assessments and better track performance.
3. Corrective action plans are put in place for factories where we have found non-compliances. We work together with our primary suppliers and their factories to ensure effective closure within the agreed timeframe.

In 2016, we have conducted 225 audits and re-audits among our suppliers in Asia unveiling that our most recurring non-compliances concern poor health and safety management, excessive working hours and inadequate wages.



Due to our strengthened requirements, stronger tools and stringent follow-up, we have seen an increase in the number of non-compliances. Improving our tools and tracking of supplier performance enables us to identify weaknesses and risks and hence continuously improve our performance. Factories that are put on hold have to go through a stringent remediation plan before potentially supplying to Zebra again.

Supplier engagement

Training our key suppliers in our compliance and quality requirements is a focus area of our supplier engagement programme, to ensure that audits and tests lead to lasting changes. In August 2016, we kicked off our competence building activities with a 5-day product compliance, quality and social compliance training session in Shanghai for our top 24 suppliers, responsible for almost 80% of our annual procurement. This year, we also started training factories and suppliers through topical social compliance e-learning sessions, linked to factory corrective action plans.

Planet

In 2016, we adopted our Environmental policy, stating our commitment to protect the environment and the climate by minimising our negative impact. A significant part of our impact takes place via production in our supply chain. Our Supplier Code of Conduct specifies the requirements to our suppliers regarding the environment.

Apart from the impact in the supply chain, we have decided to focus our resources on where we, as a retailer, has the highest impact. This includes energy, sustainable forestry products and food donations to combat food waste.

Energy

To minimise the environmental footprint of our stores we started the process of replacing traditional bulbs with LED bulbs back in 2013. All new stores and refurnished stores have to use LEB bulbs. End 2016, approximately 54% of our stores use LED bulbs. Our ambition is that by the end of 2017, all Flying Tiger Copenhagen stores use LED bulbs. In 2016, we have also moved to LED bulbs in our biggest EU warehouse based in Denmark.

Sustainable forestry products

In 2016, we joined the Forest Stewardship Council (FSC) and started the process of becoming FSC certified in 2017. With the membership and certification, we support the work of FSC on promoting sustainable forestry and have committed to gradually increasing the use of FSC certified paper and wood in our business. Since mid-2016, we have predominantly purchased FSC certified paper products.

In addition, we require that all new stores and all refurnished stores use FSC certified furniture. End 2016, more than 95% of our stores use FSC certified furniture. Our ambition is to replace all non-FSC certified furniture through natural refurbishment over the coming years.

Combating food-waste

Since 2015, we have been partnering with the Danish branch of the European Food organisations (Fødevarebanken). In 2016, we have expanded this cooperation to also include our warehouses in Spain and UK. This means that all our food products are donated when the expiry date approaches instead of being sent to waste.

METAL SHELF
DKK 60

Partnerships

As a global company we can and want to do good for the communities where we operate and support people in need. We engage in charitable activities at the corporate level where we have partnered with Red Cross in Denmark and UK and the European Food Organisations in respectively Denmark, UK and Spain where we have our European warehouses. During the year we systematically donate products to these organisations who then distribute further to people in need.

At the country-level, we are also active in charity activities. In Denmark, we partnered with UNICEF and developed a charity bag available in all our Danish stores. The total donation from the project supported Syrian children in refugee camps.

In Italy, we partnered with Save the Children on the Christmas Jumper Day project where we encouraged our customers to wear a Christmas Jumper and decorate it with Flying Tiger Copenhagen products. The profit from sold products went to Save the Children.

From Zebra A/S we have donated products to the total value of more than DKK 4m.

UNICEF
CHARITY BAG
DKK 50

Policies

Consistency and transparency is a key pillar in our responsibility work. In 2016, it has been a priority for us to draft policies in our focus areas to clarify our position, guide our decision-making and define expectations to our business partners. We now have policies on: product safety, human rights, environment and business ethics. Within the responsible sourcing area, we complemented the update of our Supplier Code of Conduct with an animal welfare policy and child labour policy.

Business Ethics

The guiding principle in the way we conduct our business is our Business Ethics Code of Conduct. The Code outlines the ethical expectations to our employees. The Code is binding and will gradually be rolled out to all employees in Flying Tiger Copenhagen globally. In 2016, the following groups have committed to the Code: all at Zebra A/S, all partners and subsidiaries including their Headquarter staff and store managers. Our partners and employees at Zebra A/S in leadership positions have also received Ethics training with focus on how to behave in accordance with the Business Ethics Code of Conduct.

CAPE AND WIG
FROM DKK 30

Corporate governance

Corporate governance practices at Zebra

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

At Zebra, powers are 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 assess 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 aims at having six board meetings a year 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.

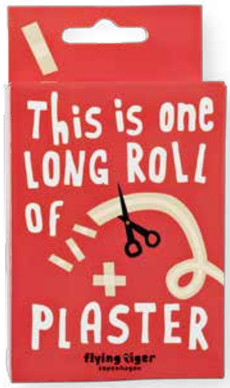
ARM WRESTLING GAME
DKK 100

Board and Executive Management

The Board of Directors has seven members and held six board meetings in 2016. Each meeting lasted at least a day, ensuring enough time for discussing performance, critical and strategic issues. Key topics of discussion this year related to the category management, ERP implementation, deep dives into the US, Korean and Japanese markets, general expansion as well as the company's strategy.

Two of the Board meetings took place in key markets (one in Stockholm, Sweden and one in London, UK), where the Board had the opportunity to visit local stores and get insights in the local markets.

There were no changes in the composition of the Board or Executive Management during 2016. However, in early 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 will lead the company until a permanent CEO is appointed.



PLASTER
DKK 5

Audit Committee

The current members of the Audit Committee are Morten Hummelmose (Chairman as of 2017), Jacob Bier and Michael Hauge Sørensen. 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 2016, the Audit Committee met four times. Key topics of discussion were among others financial reporting and other internal processes, ERP implementation, CSR activities 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 reasonably adequate for a company with Zebra's size and set-up. In 2017, 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 67% of the shares in Zebra A/S through Zebra Lux Holding S.a.r.l. Approximately 29% of the shares are held by Mitco ApS, which is controlled by Lennart Lajboschitz, and approximately 4% 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 54% male and 46% female members. Zebra defines management as district leaders, country managers, partners as well as managers at headquarter. Relevant professional qualifications remain the key selection criteria for all positions in the Zebra organisation, but Zebra's management will continue to focus on diversity and will continue to evaluate the need for initiatives within this area.

At the end of 2016, the Board of Directors of Zebra was composed of 100% male members (unchanged compared to 2015). It is the Board's ambition to increase diversity, including gender representation on the Board where the target is to have at least one female member before 2021. The target horizon is expanded with four years as it is the current assessment that the Board has the required qualifications and composition in order 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.

BADGES, WRAPPING PAPER
AND RIBBONS
FROM DKK 10

PIRATE HAT, TELESCOPE,
CLAW & EYE PATCH
FROM DKK 20

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 are 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.

LUNCH BOX
DKK 20

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 4.3 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 at least on a half-year basis to hedge foreign currency risk for 80% of expected procurement 12 months ahead.

Exchange rate exposure 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 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.

To mitigate competition from other retailers, Zebra continues to invest and develop the Flying Tiger Copenhagen concept to sustain the concept's edge and attractive value proposition. The initiatives include continued strengthening of the Group's creative capabilities within category 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 then 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 keep updated on market developments.

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.

TEALIGHT
CANDLE CUP
DKK 10

Sourcing

Forecasting

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

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 monitors the supply chain on an ongoing basis and continues to invest 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 launch up to 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 guides 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 mechanics and incentives ensure alignment of interests. Failure to maintain a successful collaboration may adversely affect our financial results. We value our partners and want to continue to work together maintaining an open and frequent dialogue.

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

POP UP BOOK
DKK 50

INFLATABLE HEART
DKK 40

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.

Infrastructure

Disruptions and/or delays in the implementation of our new global ERP system may have a negative impact on Zebra's financial results. Disruptions in our day-to-day operations may potentially occur as a consequence of the current implementation of the new ERP system.

In order to mitigate potential risks, Zebra has strengthened its project organisation and project management capabilities. In addition, Zebra has implemented a governance structure anchored with the Executive Management ensuring that all departments allocate sufficient attention and resources to the project.

People

In order to maintain the growth trajectory, Zebra relies critically on its ability to continue 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.

VARIOUS
CALENDARS
FROM DKK 20

SELECTED STORE OPENINGS 2016

PERUGIA – ITALY

JAEN – SPAIN

KRAKOW – POLAND

MOLDE – NORWAY

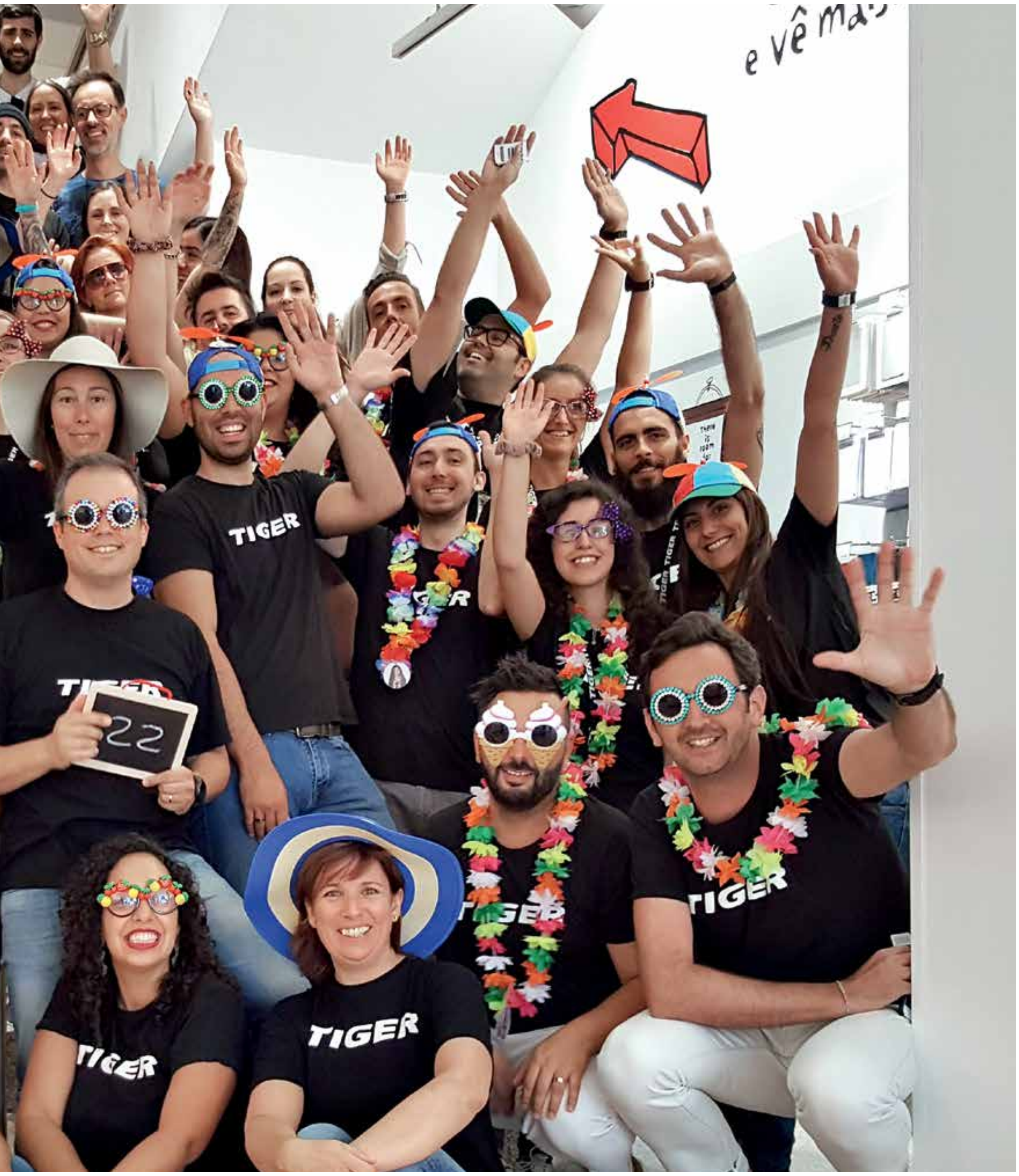
PORTO – PORTUGAL

ATHENS – GREECE

ZLIN - CZECH REPUBLIC

JYVÄSKYLÄ - FINLAND

NEW YORK - UNITED STATES



MONS - BELGIUM

BORÅS - SWEDEN

VIENNA - AUSTRIA

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	FLSmidth A/S (Chairman) FLSmidth & Co A/S (Chairman) TIA Technologies A/S (Chairman) Scandic Hotels AB (Chairman) Select Service Partner Plc (Chairman) Automic Software GmbH (Chairman) Nordic Aviation Capital A/S (Vice Chairman) VFS Global (Board Member) CHEP Aerospace (Board Member) JP/Politikens Hus A/S (Board Member) CP Dyvig & Co. A/S (Board Member) Air Canada (Board Member) Royal Caribbean Cruises Ltd. (Board Member) Braganza AS (Board Member) Global Fund for Children UK (Board Member) Rock'n Roll Forever Foundation (Board Member) EQT Partners (Senior Advisor) Morgan Stanley (Senior Advisor)

Jacob Bier (1961)
Vice Chairman, Member since 1998

Educational background	LLM, University of Copenhagen
Current position	Senior Advisor, Greenhill & Co. International LLP
Other positions	CERTA Intelligence & Security A/S (Chairman) Nosomnia ApS (Chairman) Hos Fischer ApS (Board Member) Mitco ApS (Board Member)

Rolf Eriksen (1944)
Member since 2013

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

Lennart Lajboschitz (1959)
Member since 1998

Current position Advisor 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)
Udviklingsplatformen (Board Member)

Michael Hauge Sørensen (1973)
Member since 2013

Educational background Executive training from Stanford, IMD and INSEAD

Current position CEO (Interim), Zebra A/S, 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)
Pandora A/S (Board Member)
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)

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)
Privalia (Board Member)
Amer Sports Corporation (Board Member)
Penhaligons UK (Advisory Board)
ESADE Business School (Advisory Board)

Morten Hummelmose (1971)
Member since 2013

Educational background
M.Sc. Economics, University of Copenhagen
M.Sc. Finance, University of London

Current position Head of EQT Partners Denmark

Other positions
R. Færch Plast A/S (Board Member)
Færch Plast Group A/S (Board Member)
Sitecore Corporation A/S (Board Member)
Sitecore Holding II A/S (Board Member)
Sitecore Holding III A/S (Board Member)

Executive Management

Michael Hauge Sørensen (1973)
Chief Executive Officer (Interim)

Educational background	Executive training from Stanford, IMD and INSEAD
Previous experience	ECCO Sko A/S (Group COO and other leadership positions)
Current board positions	TOP-TOY A/S (Chairman) TT Holding II A/S (Chairman) TT Holding III A/S (Chairman) Fristads Kansas Group AB (Chairman) Zebra A/S (Board Member) Pandora A/S (Board Member) 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)

Henrik Skov (1964)
Chief Financial Officer

Educational background	M.Sc. Economics, Clemson University
Previous experience	Telenor A/S (Chief Financial Officer and other leadership positions) Accenture (Manager)

FLYING TIGER COPENHAGEN
AARHUS, DENMARK

SUNGLASSES
DKK 30

Consolidated financial statements

Income statement

1 January - 31 December

DKKm	Note	2016	2015
Revenue	2.1	4,274.0	3,571.7
Cost of sales		(1,696.2)	(1,344.8)
Gross profit		**2,577.8**	**2,226.9**
Other external expenses		(1,097.8)	(846.7)
Staff costs	2.2	(1,111.8)	(882.4)
EBITDA before special items		**368.2**	**497.8**
Amortisation and depreciation		(167.9)	(113.4)
Operating profit (EBIT) before special items		**200.3**	**384.4**
Special items	2.3	(13.6)	(40.7)
Operating profit (EBIT)		**186.7**	**343.7**
Share of loss in joint ventures	3.3	(13.3)	(14.7)
Financial income	4.5	3.1	6.1
Financial expenses	4.5	(47.7)	(43.8)
Profit before tax		**128.8**	**291.3**
Tax on profit for the year	2.4	(46.7)	(81.5)
Profit for the year		**82.1**	**209.8**

Statement of other comprehensive income

DKKm	Note	2016	2015
Profit for the year (brought forward)		**82.1**	**209.8**
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment, foreign entities - exchange differences arising during the year		(13.0)	1.2
Foreign exchange hedging instruments:			
Realised in inventories		(7.8)	(36.3)
Realised in cost of sales		(7.1)	(86.7)
Realised in financial income		(0.1)	-
Fair value adjustments		55.7	86.5
Tax relating to items that may be reclassified subsequently to profit or loss		(8.9)	8.6
Other comprehensive income		**18.8**	**(26.7)**
Total comprehensive income for the year		**100.9**	**183.1**

Balance sheet

31 December

Assets **DKKm**	**Note**	**2016**	**2015**
Intangible assets	3.1	234.3	122.4
Property, plant and equipment	3.2	605.6	495.9
Investment in joint ventures	3.3	30.5	31.2
Deposits		76.5	61.2
Deferred tax	2.4	67.6	24.0
Non-current assets		**1,014.5**	**734.7**
Inventories	3.4	948.2	713.1
Income tax receivables		14.8	10.0
Derivative financial instruments	4.2, 4.3	53.6	16.1
Other receivables	4.2	69.4	43.5
Prepayments		76.6	62.8
Cash and cash equivalents	4.2	566.4	429.7
Current assets		**1,729.0**	**1,275.2**
Assets		**2,743.5**	**2,009.9**

Balance sheet

31 December

Equity and liabilities DKKm	Note	2016	2015
Share capital	4.1	0.5	0.5
Currency translation reserve		(8.6)	4.4
Currency hedging reserve		34.3	2.5
Retained earnings		(49.8)	(137.7)
Equity		**(23.6)**	**(130.3)**
Provisions for the acquisition of non-controlling interests	4.2, 4.4	377.9	647.6
Other provisions	3.5	20.3	9.5
Bank debt	4.2	944.5	31.9
Finance leases	4.2	11.9	9.2
Deferred considerations	4.2, 4.4	150.9	31.9
Lease incentives		65.3	48.1
Deferred tax	2.4	8.6	7.3
Other non-current liabilities	4.2	15.9	8.5
Non-current liabilities		**1,595.3**	**794.0**
Provisions for the acquisition of non-controlling interests	4.2, 4.4	112.4	203.1
Other provisions	3.5	0.4	-
Loans provided by shareholders of non-controlling interests	4.2	45.3	40.0
Bank debt	4.2	50.1	437.3
Finance leases	4.2	7.6	5.4
Trade payables	4.2	511.5	293.5
Income tax payables	4.2	39.2	41.4
Deferred considerations	4.2, 4.4	5.9	-
Lease incentives		15.3	12.5
Other payables	3.6, 4.2	384.1	313.0
Current liabilities		**1,171.8**	**1,346.2**
Liabilities		**2,767.1**	**2,140.2**
Equity and liabilities		**2,743.5**	**2,009.9**

Statement of changes in equity

DKKm	Share capital	Currency translation reserve	Currency hedging reserve	Retained earnings	Total
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 4.4	-	-	-	(1.6)	(1.6)
Fair value adjustment of purchase consideration for the acquisition of non-controlling interests, c.f. Note 4.4	-	-	-	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)**
2015					
Equity at 01.01.	**0.5**	**3.2**	**30.4**	**(133.6)**	**(99.5)**
Profit for the year	-	-	-	209.8	209.8
Other comprehensive income for the year, net of tax	-	1.2	(27.9)	-	(26.7)
Transactions with owners:					
Dividend paid to non-controlling interests	-	-	-	(33.0)	(33.0)
Fair value adjustment of provisions for the acquisition of non-controlling interests, c.f. Note 4.4	-	-	-	(198.2)	(198.2)
Contribution from non-controlling interests	-	-	-	0.4	0.4
Share capital increase	0.0	-	-	16.9	16.9
Equity at 31.12.	**0.5**	**4.4**	**2.5**	**(137.7)**	**(130.3)**

Cash flow statement

DKKm	Note	2016	2015
Operating profit (EBIT) before special items		**200.3**	**384.4**
Depreciation, amortisation and losses from disposal of assets		167.9	113.4
Special items paid		(5.1)	(34.0)
Working capital changes	3.7	(74.8)	157.0
Other non-cash adjustments		117.1	9.9
Interest income received		3.1	3.7
Interest expenses paid		(43.4)	(43.7)
Taxes paid		(103.9)	(100.5)
Cash flows from operating activities		**261.2**	**490.2**
Acquisition of businesses	5.1	-	(6.7)
Investment in intangible assets		(126.0)	(70.1)
Investment in property, plant and equipment		(263.4)	(295.9)
Sale of property, plant and equipment		3.1	3.6
Investment in joint ventures		(13.0)	-
Change in deposits		(16.9)	(27.8)
Cash flows from investing activities		**(416.2)**	**(396.9)**
Free cash flow		**(155.0)**	**93.3**
Contribution from non-controlling interests		36.9	0.4
Acquisition of non-controlling interests	4.4	(221.6)	(20.4)
Share capital increase		2.0	16.9
Proceeds from loans provided by shareholders of non-controlling interests		13.9	16.6
Repayment of loans provided by shareholders of non-controlling interests		(7.6)	(5.8)
Proceeds from borrowings		954.6	105.2
Repayment of borrowings		(432.0)	(11.9)
Dividend paid to non-controlling interests		(47.0)	(33.0)
Cash flows from financing activities		**299.2**	**68.0**
Increase in cash and cash equivalents		**144.2**	**161.3**
Cash and cash equivalents at 1 January		429.7	262.4
Unrealised exchange gains/(losses) included in cash and cash equivalents		(7.5)	6.0
Cash and cash equivalents at 31 December		**566.4**	**429.7**

Unutilised credit facilities for the Group were DKK 562.7m at 31 December 2016 (2015: DKK 522.6m).
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 2016 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).

The Annual Report for 2016 was discussed and approved by the Executive Management and the Board of Directors (the Board) on 31 March 2017 and will be presented for approval at the subsequent Annual General Meeting on 6 April 2017.

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 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 Zebra A/S and subsidiaries controlled by the Parent Company. 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.

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

1.1 General accounting policies (continued)

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 2016. 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 a number of new IFRS standards, amended standards, revised standards and interpretations, which are effective for financial years beginning on or after 1 January 2017, 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. The Group has assessed the expected impact of the standard and determined that it will not have any significant impact on the 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. The Group has assessed the expected impact of the standard and determined that it will not have any significant impact on the consolidated financial statements.

IFRS 16 Leases
IFRS 16 'Leases', with effective date 1 January 2019 (awaiting EU adoption), 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 expects a significant increase in total assets and 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. The expected impact is currently being assessed.

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 2016. 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),
- Write downs against the carrying amount of inventories (note 3.4), and
- Provisions for the acquisition of non-controlling interests (note 4.4).

Apart from these, a number of 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 a number of 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 agreement etc. that give Zebra A/S substantial rights, including in connections with a dead lock 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

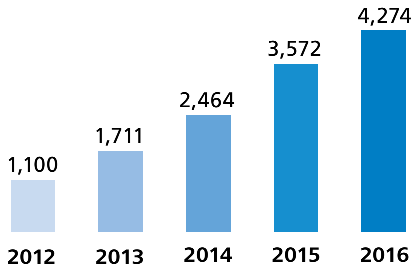
This section

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 2016, Zebra's revenue was DKK 4,274m compared to DKK 3,572m in 2015 corresponding to 20% growth driven by the rapid expansion of our store footprint.

Revenue (DKKm)



30
Number of countries

745
Number of stores incl. Japanese joint venture

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	2016	2015
Salaries and wages	926.7	729.1
Pension contributions	39.8	34.1
Other social security costs	117.4	87.1
Other staff costs	45.0	33.5
Total	**1,128.9**	**883.8**
Capitalised salaries and wages related to development projects	(17.1)	(1.4)
Total	**1,111.8**	**882.4**
Average number of full-time equivalents	**4,568**	**3,551**
Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management*	15.5	12.6
Total remuneration, Board of Directors	1.7	1.4
Total	**17.2**	**14.0**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages	16.2	13.5
Pension expenses	1.0	0.5
Total	**17.2**	**14.0**

*Remuneration, Executive Management includes severance payment in 2016.

No member of the Board of Directors received a consultancy fee in 2016 (2015: DKK 0.5m).

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	2016	2015
Costs related to relocation of central warehouses	-	20.1
Winding-up Tiger Music operation	-	4.4
Strategic review	-	10.3
Strategic procurement project	3.9	-
Costs related to relocation of head office	-	2.3
Costs associated with the establishment of new management team	8.7	-
Costs related to partner buyouts	1.0	-
Impairment of goodwill	-	3.6
Total	**13.6**	**40.7**

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 in force 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 the Executive Management assesses that these tax assets can be offset against positive taxable income in the foreseeable future that exceeds realisation of deferred tax liabilities. The Executive Management assesses tax assets and liabilities at least annually based on dialogue with tax advisors, business plans for the coming years, including other planned commercial initiatives.

Of the total deferred tax assets recognised, DKK 17.8m (2015: DKK 4.2m) is related to tax loss carry forwards. The Executive Management considers it probable that these tax loss carry forwards can be offset against positive taxable income in the near future.

2.4 Income taxes and deferred tax (continued)

Tax costs

DKKm	2016	2015
Current tax	96.8	88.7
Adjustment to current tax concerning previous years	0.7	2.8
Change in deferred tax this year at current tax rate	(52.4)	(9.0)
Impact from change in tax rate on deferred tax	(0.0)	0.2
Adjustment to deferred tax concerning previous years	1.6	(1.2)
Total	**46.7**	**81.5**

Tax reconciliation

DKKm	2016	2015
Profit before tax	128.8	291.3
Calculated 22.0% (2015: 23.5%) on profit before tax	28.3	68.5
Difference in local tax rate compared to Parent tax rate of 22.0% (2015:23.5%)	17.0	9.0
Tax effect from:		
Non-taxable income and non-deductible expenses	2.4	2.0
Impact from change in the tax rates	(0.0)	0.2
Impact of non-recognised tax losses to be carried forward and value adjustments	(3.3)	0.2
Adjustments concerning previous years	2.3	1.6
Total	**46.7**	**81.5**
Effective tax rate	**36.2%**	**28.0%**

Deferred tax

DKKm	2016	2015
Deferred tax assets	67.6	24.0
Deferred tax liabilities	(8.6)	(7.3)
Total	**59.0**	**16.7**

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.
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**
2015					
Intangible assets	(5.7)	-	(0.1)	-	(5.8)
Property, plant and equipment	(5.8)	0.4	(0.9)	-	(6.3)
Inventories	9.6	(0.1)	5.7	-	15.2
Provisions etc.	5.9	-	(2.0)	-	3.9
Foreign exchange hedging	(9.4)	-	-	8.6	(0.8)
Tax losses to be carried forward	2.9	-	1.3	-	4.2
Other	0.6	(0.3)	6.0	-	6.3
Deferred tax	**(1.9)**	**(0.0)**	**10.0**	**8.6**	**16.7**

Unrecognised tax loss carry-forwards amount to DKK 0m (2015: DKK 2.2m).

Section 3 Invested capital and working capital items

This section

Note 3.1 Intangible assets

Note 3.2 Property, plant and equipment

Note 3.3 Investment in joint ventures

Note 3.4 Inventories

Note 3.5 Other provisions

Note 3.6 Other payables

Note 3.7 Working capital changes

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

Net working capital

DKKm	2016	2015
Inventories	948	713
Other receivables	69	44
Prepayments	77	63
Trade payables	(512)	(294)
Other payables	(384)	(313)
Lease incentives	(80)	(61)
Net working capital	**118**	**152**

Invested capital

DKKm	2016	2015
Intangible assets	234	122
Property, plant and equipment	606	496
Investment in joint ventures	31	31
Deposits	77	61
Net working capital	118	152
Other provisions	(21)	(10)
Derivative financial instruments	54	16
Other non-current liabilities	(16)	(8)
Net income tax	(25)	(31)
Net deferred tax	59	17
Invested capital	**1,117**	**846**

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, licences 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 number of Danish stores in 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 2017 and projections for 2018. The long-term growth rate in the terminal period has been set to equal the expected long-term rate of inflation of 1%.

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 8.0% 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 2016 (2015: DKK 3.6m). 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, 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.

3.1 Intangible assets (continued)

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
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	108.9	125.7
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**
2015						
Cost 01.01.	12.5	42.0	1.1	15.4	1.2	72.2
Exchange rate adjustment	-	1.0	-	-	-	1.0
Additions	7.0	11.1	-	13.2	45.9	77.2
Disposals	-	(0.1)	-	-	-	(0.1)
Cost 31.12.	**19.5**	**54.0**	**1.1**	**28.6**	**47.1**	**150.3**
Amortisation 01.01.	-	(14.1)	-	(0.8)	-	(14.9)
Exchange rate adjustment	-	(0.6)	-	-	-	(0.6)
Amortisation	-	(5.7)	(0.1)	(3.0)	-	(8.8)
Impairment	(3.6)	-	-	-	-	(3.6)
Disposals	-	0.0	-	-	-	0.0
Amortisation 31.12.	**(3.6)**	**(20.4)**	**(0.1)**	**(3.8)**	**-**	**(27.9)**
Carrying amount 31.12.	**15.9**	**33.6**	**1.0**	**24.8**	**47.1**	**122.4**

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.

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.

3.2 Property, plant and equipment (continued)

DKKm	Leasehold improve-ments	Store furniture	Other equipment	Total
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**
2015				
Cost 01.01.	190.6	192.9	74.3	457.8
Exchange rate adjustment	1.4	1.4	(0.1)	2.7
Additions	163.9	98.9	42.2	305.0
Transfer	6.9	(5.8)	(1.1)	-
Disposals	(10.9)	(9.1)	(11.4)	(31.4)
Cost 31.12.	**351.9**	**278.3**	**103.9**	**734.1**
Depreciation 01.01.	(56.2)	(70.2)	(35.2)	(161.6)
Exchange rate adjustment	0.3	(0.6)	0.0	(0.3)
Depreciation	(37.7)	(42.5)	(19.6)	(99.8)
Transfer	(4.0)	3.3	0.7	-
Disposals	7.6	5.7	10.2	23.5
Depreciation 31.12.	**(90.0)**	**(104.3)**	**(43.9)**	**(238.2)**
Carrying amount 31.12.	**261.9**	**174.0**	**60.0**	**495.9**

Loss from selling or scrapping property, plant and equipment amounts to DKK 1.9m (2015: DKK 4.7m).
The carrying amount of assets under finance lease amount to DKK 22.2m (2015: DKK 16.0m).

3.2 Property, plant and equipment (continued)

Operating leases

DKKm	2016	2015
Non-cancellable operating lease commitments		
Not later than 1 year	584.7	466.5
1-5 years	1,141.4	959.9
Later than 5 years	241.0	140.0
Total	**1,967.1**	**1,566.4**

The Group has a large number of individual leases. The leases are mainly for stores, offices and office equipment etc. with lease terms between 1 and 10 years. Paid contingent (sale-based) rent is considered limited. The increase in commitments in 2016 is mainly related to opening of new stores as well as the new headquarter.

Lease payments recognised in the income statement relating to operating leases amount to DKK 688.4m (2015: DKK 568.1m).

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 and business plans for 2017 and projections for 2018-2021.

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 10.3% 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 2015 and 2016 consisted of the investment in Zebra Japan K.K. who markets and sells products from Flying Tiger of Copenhagen on the Japanese market. The 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	Investment in joint ventures
2016	
Cost 01.01.	40.1
Additions	13.0
Cost 31.12.	**53.1**
Adjustment 01.01.	(8.9)
Exchange rate adjustment	(0.4)
Share of loss for the year after tax	(13.3)
Adjustment 31.12.	**(22.6)**
Carrying amount 31.12.	**30.5**
2015	
Cost 01.01.	40.1
Additions	-
Cost 31.12.	**40.1**
Adjustment 01.01.	5.4
Exchange rate adjustment	0.4
Share of loss for the year after tax	(14.7)
Adjustment 31.12.	**(8.9)**
Carrying amount 31.12.	**31.2**

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.

3.3 Investment in joint ventures (continued)

DKKm	2016	2015
Revenue	336.4	330.4
Profit for the period	(26.6)	(29.5)
Total comprehensive income	(26.6)	(29.5)
Non-current assets	104.1	109.4
Current assets	136.6	129.6
Non-current liabilities	15.8	16.7
Current liabilities	202.3	199.1
Equity	22.5	23.3
Net working capital	40.7	48.6
Number of stores	27	24

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 2016, the inventory write down amounts to DKK 131.1m compared to DKK 22.8m at 31 December 2015. The increase is related primarily to stock at central warehouses and was mainly caused by lower than expected sales as well as parts of the assortment not performing in line with expectations. The Executive Management has reassessed the product strategy and has accordingly recognised additional write downs based on Management judgment of approximately DKK 75m on top of the Group's general inventory write down guidelines.

DKKm	2016	2015
Finished goods	1,079.3	735.9
Write downs	(131.1)	(22.8)
Total	**948.2**	**713.1**
Write downs 01.01.	(22.8)	(6.4)
Write downs, during the year	(112.2)	(17.5)
Write downs, utilised during the year	3.9	0.6
Write downs, reversed during the year	-	0.5
Write downs 31.12.	**(131.1)**	**(22.8)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 25.3m (2015: DKK 12.4m).

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	2016	2015
Provisions 01.01.	9.5	-
Provisions, during the year	11.2	9.5
Provisions 31.12.	**20.7**	**9.5**
Non-current provisions	20.3	9.5
Current provisions	0.4	-
Total	**20.7**	**9.5**

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 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	2016	2015
VAT and other indirect taxes payable	119.8	112.7
Employee costs payable	152.8	130.7
Other payables	111.5	69.6
Total	**384.1**	**313.0**

3.7 Working capital changes

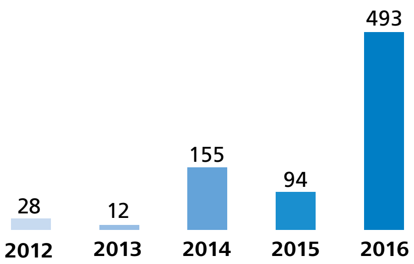
DKKm	2016	2015
Change in inventories	(347.6)	(15.0)
Change in other receivables	(26.1)	(18.6)
Change in prepayments	(20.1)	(12.1)
Change in lease incentives	19.7	14.7
Change in trade payables	227.3	60.0
Change in other payables	72.0	128.0
Total	**(74.8)**	**157.0**

Section 4 Capital structure and financing

This section

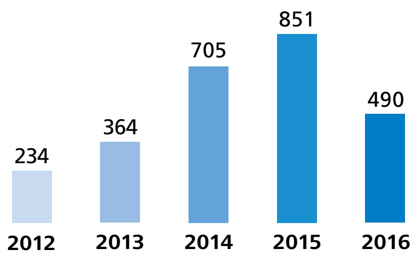
This section provides insights into Zebra's capital structure including financial risk management, provisions for acquisition of non-controlling interests and net financials.

Net interest-bearing debt (DKKm)



In 2016, the provisions for the acquisition of non-controlling interests went down by 74% due to the takeover of seven partnerships.

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



4.1 Share capital

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

The shares have been divided into classes:

Class A	3,364,953
Class B	897,965
Class C	897,965
Class D	11,710

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 2012	550
Capital reduction 2012	(45)
Capital increase 2013	10
Capital increase 2015	2
Capital increase 2016	0
Share capital at 31 December 2016	**517**

4.2 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 4.4.

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**

4.2 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
2015					
Financial liabilities					
Bank debt	437.3	33.7	0.5	471.5	469.2
Provisions for the acquisition of non-controlling interests	223.4	757.9	-	981.3	850.7
Loans provided by shareholders of non-controlling interests	40.0	-	-	40.0	40.0
Finance leases	6.2	10.2	-	16.4	14.6
Deferred considerations	-	31.9	-	31.9	31.9
Other non-current liabilities	-	-	8.5	8.5	8.5
Trade payables	293.5	-	-	293.5	293.5
Income tax payables	41.4	-	-	41.4	41.4
Other payables	313.0	-	-	313.0	313.0
Total	**1,354.8**	**833.7**	**9.0**	**2,197.5**	**2,062.8**

Fair value of financial assets and liabilities is approximately equal to the carrying amount in both 2015 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 4.3 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.

4.3 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.

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 derivatives 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 at least on a half-year basis to hedge foreign exchange risk for 80% of expected procurement 12 months ahead and to hedge confirmed future payments related to procurement in full. Hence, all open foreign exchange contracts at 31 December 2016 have a maturity of less than 1 year.

DKKm	Remaining maturity	Contract value	Carrying amount	Fair value adjustment recognised in other comprehensive income
2016				
Forward exchange contracts - USD	0-12 months	1,019.4	53.6	40.7
Total		**1,019.4**	**53.6**	**40.7**
2015				
Forward exchange contracts - USD	0-12 months	886.9	17.4	(37.0)
Total		**886.9**	**17.4**	**(37.0)**

4.3 Financial risk management (continued)

The Group's most material exchange rate risk is the exposure to USD purchases. The Group's foreign subsidiaries' exposure to currency fluctuations is to some extent mitigated by the fact that both revenue and local costs of the individual subsidiaries are denominated in the same currencies. 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

		2016		2015	
DKKm	**Change in exchange rate**	**Profit before tax**	**Equity**	**Profit before tax**	**Equity**
USD	(10)%	1.5	(81.7)	(0.4)	(80.9)
USD	10%	(1.5)	81.7	0.4	80.9
GBP	(10)%	(4.7)	0.8	(4.0)	16.3
GBP	10%	4.7	(0.8)	4.0	(16.3)
EUR	(1)%	(0.8)	4.6	(0.6)	5.6
EUR	1%	0.8	(4.6)	0.6	(5.6)
SEK	(10)%	(0.4)	0.7	(0.6)	2.7
SEK	10%	0.4	(0.7)	0.6	(2.7)
PLN	(10)%	(0.7)	0.2	(1.2)	(0.4)
PLN	10%	0.7	(0.2)	1.2	0.4

The analysis is based on monetary assets and liabilities as of end 2016 and 2015. The movements arise from monetary items (cash, borrowings, receivables and payables) and hedging instruments where the functional currency of the entity is different to the currency that the monetary items are denominated in.

Interest rate risk
The Group is exposed to interest rate risk because entities in the Group borrow funds at variable interest rates. The risk is monitored by Group Treasury in order to maintain an appropriate mix between fixed and floating rate borrowings, 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, as set out in note 4.2.

Interest rate swaps are used to hedge the risk related to changes in interest rates. At 31 December 2016, there are no outstanding interest rate swaps.

4.3 Financial risk management (continued)

DKKm	Remaining maturity	Contract amount	Carrying amount	Fair value adjustment recognised in other comprehen-sive income
2015				
Interest rate swaps	0-12 months	150.0	(1.3)	0.5
Total		**150.0**	**(1.3)**	**0.5**

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 2016 would have a negative impact of DKK 4.7m on the Group's profit for the year and equity (2015: a positive impact of DKK 0.7m). A corresponding decrease in interest levels would have a negative impact of DKK 4.9m on the Group's profit for the year and equity (2015: negative DKK 0.7m).

Liquidity risk

Liquidity risk results from the Group's inability to cover its financial liabilities with cash. Please refer to note 4.2. 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 Zebra A/S' cash can only be placed in treasury bills and bank deposits with banks with the highest credit rating.

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.

In 2016 Zebra A/S refinanced its existing credit facility with new 3 and 5 year credit facilities totalling DKK 1,800m. This ensures adequate liquidity reserves for the partner buy-outs at year-end 2016 and the investments needed for the current expansion plans for the business. 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.

4.4 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 2016.

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% (2015: 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.

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

DKKm	2016	2015
Balance 01.01.	850.7	704.8
Exchange rate adjustment	(4.9)	10.4
Additions	6.2	9.1
Utilisation of provision to acquire non-controlling interests	(362.0)	(52.3)
Fair value adjustment	0.3	178.7
Balance 31.12.	**490.3**	**850.7**
Non-current provisions for the acquisitions of non-controlling interests	377.9	647.6
Current provisions for the acquisitions of non-controlling interests	112.4	203.1
Total	**490.3**	**850.7**

In 2016 effective from 31 December, Zebra took 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). Furthermore, Zebra A/S will take over 3 partnerships at the end of 2017.

In 2015, Zebra took full ownership of two partnerships in Southern Sweden (TZ-shops South Sweden AB) and in Northern Germany (Tiger Deutschland GmbH), and terminated one partnership in Poland (Tiger Warsaw Sp. Z.o.o.).

The initial purchase consideration for five of the partnerships which Zebra took full ownership of 31 December 2016 is based on realised figures for the financial year 2016 and amounts to DKK 209.5m (2015: DKK 20.4m). The deferred consideration related to the financial year 2017 is expected to be DKK 150.9m (2015: DKK 31.9m). For the last two partnerships taken over 31 December 2016 Zebra paid an agreed settlement price of DKK 1.6m.

DKKm	2016	2015
Deferred considerations 01.01.	31.9	-
Additions	362.0	52.3
Settlements paid during the period	(221.6)	(20.4)
Fair value adjustment	(15.5)	-
Deferred considerations 31.12.	**156.8**	**31.9**
Non-current deferred considerations	150.9	31.9
Current deferred considerations	5.9	-
Total	**156.8**	**31.9**

4.5 Net financials

Accounting policies
Financial income comprise 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.

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.

DKKm	2016	2015
Financial income		
Interest on financial assets measured at amortised cost	2.5	3.2
Exchange rate adjustments	-	2.4
Other financial income	0.6	0.5
Total	**3.1**	**6.1**
Financial expenses		
Bank charges*	23.0	16.5
Interest on financial liabilities measured at amortised cost	21.1	24.4
Exchange rate adjustments	3.5	-
Other financial expenses	0.1	2.9
Total	**47.7**	**43.8**
Net financials	**(44.6)**	**(37.7)**

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

Section 5 Other disclosures

This section

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

56
Total number of Group companies

35
50% owned companies

21
Fully owned companies

5.1 Business combinations

Accounting policies
Business combinations are accounted for using the acquisition method.

The cost of a business combination comprises the fair value of the consideration agreed upon and the aggregate of acquired identifiable assets, liabilities and contingent liabilities measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Subsequent to the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Incurred acquisition costs are expensed.

Acquisition in 2016
There have been no acquisitions in 2016.

5.1 Business combinations (continued)

Acquisition in 2015
On 31 December 2015 Zebra A/S acquired 100% of J.H.L. ApS comprising a store in central Copenhagen. The purchase price was DKK 7.3m. Assets acquired mainly consist of inventories and other assets and liabilities relating to the store. Of the purchase price, DKK 7.0m was allocated to goodwill. Goodwill is attributed to the strengthened foothold in the central region of Copenhagen.

None of the goodwill recognised is deductible for income tax purposes.

Transaction costs, DKK 0.0m have been recognised as Other external expenses in the income statement.

There was no contribution to the Group's revenue and net profit for 2015.

DKKm	2015 J.H.L. ApS
Inventories	0.5
Cash	0.6
Assets acquired	**1.1**
Other non-current liabilities	0.8
Liabilities assumed	**0.8**
Total identifiable net assets acquired	**0.3**
Goodwill arising from the acquisition	7.0
Purchase consideration	**7.3**
Cash movements:	
Purchase consideration	7.3
Cash acquired	(0.6)
Net cash flow, acquisition of businesses	**6.7**

5.2 Fees to statutory auditor

DKKm	2016	2015
EY		
Statutory audit of financial statements	4.1	2.9
Other assurance engagements	0.7	0.1
Tax advisory services	2.4	1.1
Other services	5.9	4.0
Total	**13.1**	**8.1**

5.3 Related parties

Related parties exercising control
Zebra A/S is subject to controlling influence by Zebra Lux Holding S.à.r.l., 23 rue Aldringen, L-1118, Luxembourg, which holds 67% 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 2016 and 2015 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 2.0m in 2016 (2015: DKK 16.9m).

No member of the Board of Directors received a consultancy fee in 2016 (2015: DKK 0.5m).

On 31 December 2015, Zebra A/S acquired 100% of J.H.L. ApS. Member of the Board of Directors of Zebra A/S, Lennart Lajboschitz was Managing Director and member of the Board of Directors of J.H.L. ApS at the time of acquisition.

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 include 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 21.6m from the joint venture company (2015: DKK 21.2m) and sold goods for an amount of DKK 30.4m (2015: DKK 0m) to the joint venture company.

Zebra A/S has during the year increased the capital contribution in Zebra Japan K.K. by DKK 13.0m (2015: DKK 0m).

At 31 December 2016, the joint venture company owed the Group DKK 3.6m (2015: DKK 2.1m). All amounts outstanding are unsecured and will be settled in cash.

The Group has provided a guarantee to the Japanese joint venture´s bank which amounts to DKK 87.4m (2015: DKK 82.2m).

5.4 Guarantee commitments and contingent liabilities

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

Other guarantees
The Group has provided a bank guarantee to HMRC, UK which amounts to DKK 7.8m (2015: DKK 22.6m). The Group has provided a guarantee to the Japanese joint venture's bank which amounts to DKK 87.4m (2015: DKK 82.2m).

Contractual obligation
In addition to the lease commitments disclosed in note 3.2, the contractual obligations related to service contracts amounted to DKK 48.7m (2015: DKK 25.2m). 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 DKK 30.0m nominal (2015: 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 DKK 25.0m nominal deposited by the Group on assets, including the Group's goodwill, leasehold rights, furniture (including store furniture) (2015: DKK 25.0m).

The foreign-owned companies' bank debt is secured by mortgages on their movable property and inventory of a total nominal amount of DKK 36.4m (2015: DKK 67.5m).

The carrying amount of the above-mentioned pledged assets is stated below:

DKKm	2016	2015
Pledged assets		
Leasehold rights	19.2	10.7
Goodwill	12.5	12.5
Trademarks	1.0	1.0
Leasehold improvements	97.5	23.1
Other equipment	14.2	10.3
Store furniture	47.5	23.9
Inventories	702.0	511.5
Other receivables	89.3	34.8
Total	**983.2**	**627.8**

5.5 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.

5.6 List of group companies

Investment in group companies comprise the following at 31 December 2016.

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	50%
Tiger Warsaw Sp. Z.o.o.	Warszawa, Poland	2011	100%
Tiger Retail Ireland Ltd.	Dublin, Ireland	2011	50%
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%
HK Beijing Retail Holding Ltd.	Hong Kong	2012	100%
HK Japan Holding Ltd.	Hong Kong	2012	100%
Tiger Italy 2, S.r.l.	Rome, Italy	2012	50%
TGR Stores (NI) Ltd.	Newry, Northern Ireland	2012	50%
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	50%
Tiger Magazacilik Ticaret Anonim Sirketi	Istanbul, Turkey	2014	100%
Tiger Retail Germany 03 GmbH	Munich, Germany	2014	100%
Tiger Retail Germany 04 GmbH	Kiel, Germany	2014	50%
Tiger Retail Germany 05 GmbH	Düsseldorf, Germany	2014	50%
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%

The voting interest 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 =	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin before special items =	$\frac{\text{EBITDA margin before special items}}{\text{Revenue}}$
Net interest-bearing debt =	Bank debt + Loans provided by shareholders of non-controlling interests + Finance lease – cash and cash equivalents
Return on invested capital =	$\frac{\text{Operating profit (EBIT) before special items}}{\text{Average invested capital}}$
Net working capital ratio =	$\frac{\text{Net working capital}}{\text{Revenue}}$
Leverage =	$\frac{\text{Net interest-bearing debt}}{\text{EBITDA before special items}}$
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 =	$\frac{\text{Profit before special items, after tax}}{\text{Revenue}}$

Comparable store sales growth

• *Comparable store sales include the following:*
Stores open for at least 13 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 old store remains temporarily open, the old store will be excluded from the month where the new store opens.

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

BANDANA COLLAR
DKK 10

Financial statements – Parent Company

Income statement – Parent

1 January - 31 December

DKKm	Note	2016	2015
Revenue	2.1	2,081.7	1,811.2
Cost of sales		(1,638.1)	(1,257.0)
Gross profit		**443.6**	**554.2**
Other external expenses		(291.4)	(268.7)
Staff costs	2.2	(270.4)	(243.4)
EBITDA before special items		**(118.2)**	**42.1**
Amortisation and depreciation		(29.6)	(20.7)
Operating profit/(loss) (EBIT) before special items		**(147.8)**	**21.4**
Special items	2.3	(13.6)	(37.1)
Operating loss (EBIT)		**(161.4)**	**(15.7)**
Income from investments in subsidiaries		47.0	33.4
Financial income	4.4	14.9	9.9
Financial expenses	4.4	(53.1)	(39.6)
Loss before tax		**(152.6)**	**(12.0)**
Tax on loss for the year	2.4	37.0	10.5
Loss for the year		**(115.6)**	**(1.5)**
Proposed appropriation of loss for the year:			
Retained earnings		(115.6)	(1.5)
		(115.6)	**(1.5)**

Statement of other comprehensive income – Parent

DKKm	Note	2016	2015
Loss for the year (brought forward)		**(115.6)**	**(1.5)**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange hedging instruments:			
Realised in inventories		(7.8)	(36.3)
Realised in cost of sales		(7.1)	(86.7)
Realised in financial income		(0.1)	-
Fair value adjustments		55.7	86.5
Tax relating to items that may be reclassified subsequently to profit or loss		(8.9)	8.6
Other comprehensive income		**31.8**	**(27.9)**
Total comprehensive income for the year		**(83.8)**	**(29.4)**

Balance sheet

31 December

Assets

DKKm	**Note**	**2016**	**2015**
Intangible assets	3.1	196.2	94.3
Property, plant and equipment	3.2	59.1	52.4
Investment in subsidiaries and joint ventures	3.3	467.0	124.7
Receivables from subsidiaries	3.4	50.0	93.8
Deposits		16.7	16.1
Deferred tax	2.4	35.6	7.1
Non-current assets		**824.6**	**388.4**
Inventories	3.5	641.5	503.1
Income tax receivables		8.6	8.1
Receivables from subsidiaries	3.4	185.6	87.3
Receivables from joint ventures		3.6	2.1
Derivative financial instruments		53.6	16.1
Other receivables		44.8	26.5
Prepayments		7.7	6.0
Cash and cash equivalents		92.7	50.4
Current assets		**1,038.1**	**699.6**
Assets		**1,862.7**	**1,088.0**

Balance sheet – Parent

31 December

Equity and liabilities DKKm	Note	2016	2015
Share capital	4.1	0.5	0.5
Currency hedging reserve		34.3	2.5
Development costs reserve		88.8	-
Retained earnings		147.1	349.5
Equity		**270.7**	**352.5**
Bank debt	4.2	911.9	-
Other provisions	3.6	12.1	9.5
Deferred considerations	4.2	150.9	31.9
Other non-current liabilities	4.2	0.5	-
Non-current liabilities		**1,075.4**	**41.4**
Bank debt	4.2	0.2	404.4
Trade payables	4.2	402.6	203.2
Amounts payable to subsidiaries	4.2	2.8	6.0
Deferred considerations		5.9	-
Other payables	3.7, 4.2	105.1	80.5
Current liabilities		**516.6**	**694.1**
Liabilities		**1,592.0**	**735.5**
Equity and liabilities		**1,862.7**	**1,088.0**

Statement of changes in equity – Parent

DKKm	Share capital	Currency hedging reserve	Development costs reserve	Retained earnings	Total
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**
2015					
Equity at 31.12.2014	**0.5**	**30.4**	**-**	**340.0**	**370.9**
Effect of merger with Tiger Forum ApS and J.H.L. ApS	-	-	-	(5.9)	(5.9)
Equity at 01.01.	**0.5**	**30.4**	**-**	**334.1**	**365.0**
Loss for the year	-	-	-	(1.5)	(1.5)
Other comprehensive income for the year, net of tax	-	(27.9)	-	-	(27.9)
Transactions with owners:					
Share capital increase	0.0	-	-	16.9	16.9
Equity at 31.12.	**0.5**	**2.5**	**-**	**349.5**	**352.5**

Cash flow statement – Parent

DKKm	Note	2016	2015
Operating profit/(loss) (EBIT) before special items		**(147.8)**	**21.4**
Depreciation, amortisation and losses from disposal of assets		29.6	20.7
Special items paid		(5.1)	(34.0)
Working capital changes	3.8	(82.4)	103.4
Other non-cash adjustments		117.1	8.3
Interest income received		9.2	8.0
Interest expenses paid		(29.9)	(30.0)
Taxes paid		(0.9)	(20.3)
Cash flows from operating activities		**(110.2)**	**77.5**
Investment in intangible assets		(113.7)	(57.1)
Investment in property, plant and equipment		(21.7)	(24.4)
Change in deposits		(0.7)	(7.5)
Investment in joint ventures		(13.0)	-
Investment in subsidiaries		(222.4)	(29.1)
Loans to subsidiaries		(31.2)	(44.4)
Income from investment in subsidiaries		47.0	33.4
Cash flow from investing activities		**(355.7)**	**(129.1)**
Free cash flow		**(465.9)**	**(51.6)**
Share capital increase		2.0	16.9
Proceeds from borrowings		910.6	76.9
Repayment of borrowings		(404.4)	-
Cash flow from financing activities		**508.2**	**93.8**
Increase in cash and cash equivalents		**42.3**	**42.2**
Cash and cash equivalents at 1 January		50.4	8.2
Cash and cash equivalents at 31 December		**92.7**	**50.4**

Unutilised credit facilities for the Parent Company were DKK 399.7m at 31 December 2016 (2015: DKK 376.7m).
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.

Merger with Tiger Forum ApS and J.H.L. ApS
Effective 1 January 2016, the Parent merged with the wholly-owned subsidiaries Tiger Forum ApS and J.H.L. ApS. The merger was carried out using the pooling of interests method, and the financial statements, including comparative figures for 2015, have been restated to reflect the merger as if the activities of Tiger Forum ApS and J.H.L. ApS had always been carried out in Zebra A/S.

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 recognized 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.

Income tax
The Parent is jointly taxed with all Danish subsidiaries and serves as the administration company in the joint taxation arrangement. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income.

Balances calculated pursuant to the rule on interest deduction limitation of the Danish Corporation Tax Act have been allocated among the jointly taxed entities under the joint taxation arrangement entered into. Deferred tax liabilities in respect of these balances are recognized in the balance sheet, whereas deferred tax assets are recognized only if they qualify for recognition as deferred tax assets.

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.

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.

IFRS 9 'Financial instruments', with effective date 1 January 2018, is part of the IASB's project to replace IAS 39. 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. The expected impact is currently being assessed.

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:

Options on non-controlling interests in certain subsidiaries
The Parent Company holds call options and the non-controlling interests (the local partners) hold put options over the remaining ownership interests in certain local subsidiaries. These options are measured at fair value through profit or loss unless the fair value cannot be determined reliably. As the call options and the put options are based on equity instruments for subsidiaries that do not have a quoted price in an active market and due to the impact of the contractual arrangements between the Parent Company and the subsidiaries, it is believed that the fair value of these options cannot be determined reliably. Consequently, the options are measured at cost which based on the initial assessment at conclusion of the options amounts to a net amount of DKK 0m.

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	2016	2015
Retail sale	532.7	554.1
Wholesale, mainly foreign subsidiaries	1,549.0	1,257.1
Total	**2,081.7**	**1,811.2**

2.2 Staff costs

DKKm	2016	2015
Salaries and wages	250.0	217.6
Pension contributions	21.2	17.2
Other social security costs	3.4	4.1
Other staff costs	12.9	5.8
Total	**287.5**	**244.7**
Capitalised salaries and wages related to development projects	(17.1)	(1.4)
Total	**270.4**	**243.3**
Average number of full-time equivalents	**651**	**613**
Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management*	15.5	12.6
Total remuneration, Board of Directors	1.7	1.4
Total	**17.2**	**14.0**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages	16.2	13.5
Pension expenses	1.0	0.5
Total	**17.2**	**14.0**

*Remuneration, Executive Management includes severance payment in 2016.

No member of the Board of Directors received a consultancy fee in 2016 (2015: DKK 0.5m).

2.3 Special items

DKKm	2016	2015
Costs related to relocation of central warehouses	-	20.1
Winding-up Tiger Music operation	-	4.4
Strategic review	-	10.3
Strategic procurement project	3.9	-
Costs related to relocation of head office	-	2.3
Costs associated with the establishment of new management team	8.7	-
Costs related to partner buyouts	1.0	-
Total	**13.6**	**37.1**

2.4 Income taxes and deferred tax

Tax costs

DKKm	2016	2015
Current tax	0.4	1.3
Change in deferred tax this year at current tax rate	(37.4)	(12.1)
Impact from change in tax rate on deferred tax	-	0.4
Adjustment to deferred tax concerning previous years	-	(0.1)
Total	**(37.0)**	**(10.5)**

Tax reconciliation

DKKm	2016	2015
Loss before tax	(152.6)	(12.0)
Calculated 22.0% (2015: 23.5%) on loss before tax	(33.6)	(2.8)
Tax effect from:		
Non-taxable income and non-deductible expenses	(3.4)	(8.0)
Impact of change in the Danish tax rate	-	0.4
Adjustments concerning previous years	-	(0.1)
Total	**(37.0)**	**(10.5)**
Effective tax rate	**24.2%**	**87.9%**

Effective tax rate adjusted for non-taxable income from investments in subsidiaries is 19.1% (2015: 23.2%).

2.4 Income taxes and deferred tax (continued)

Deferred tax

DKKm	2016	2015
Deferred tax assets	35.6	7.1
Deferred tax liabilities	-	-
Total	**35.6**	**7.1**

DKKm	Deferred tax 01.01.	Recognised in profit and loss	Recognised in other comprehen-sive income	Deferred tax 31.12.
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**
2015				
Intangible assets	(6.0)	1.3	-	(4.7)
Property, plant and equipment	(0.2)	3.1	-	2.9
Inventories	-	3.7	-	3.7
Provisions etc.	2.0	4.0	-	6.0
Foreign exchange hedging	(9.4)	-	8.6	(0.8)
Deferred tax	**(13.6)**	**12.1**	**8.6**	**7.1**

3.1 Intangible assets

DKKm	Goodwill	Leasehold rights	Trademarks	Licenses and software	Intangible assets in progress	Total
2016						
Cost 01.01.	12.5	18.0	1.1	25.1	47.1	103.8
Additions	-	-	-	4.8	108.9	113.7
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**
2015						
Cost 01.01.	12.5	18.1	1.1	13.9	1.2	46.8
Additions	-	-	-	11.2	45.9	57.1
Disposals	-	(0.1)	-	-	-	(0.1)
Cost 31.12.	**12.5**	**18.0**	**1.1**	**25.1**	**47.1**	**103.8**
Amortisation 01.01.	-	(6.4)	-	-	-	(6.4)
Amortisation	-	(0.9)	(0.1)	(2.1)	-	(3.1)
Amortisation 31.12.	**-**	**(7.3)**	**(0.1)**	**(2.1)**	**-**	**(9.5)**
Carrying amount 31.12.	**12.5**	**10.7**	**1.0**	**23.0**	**47.1**	**94.3**

3.2 Property, plant and equipment

DKKm	Leasehold improve-ments	Store furniture	Other equipment	Total
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**
2015				
Cost 01.01.	36.9	28.3	25.6	90.8
Additions	15.3	12.1	6.5	33.9
Disposals	(8.7)	(4.7)	(10.3)	(23.7)
Cost 31.12.	**43.5**	**35.7**	**21.8**	**101.0**
Depreciation 01.01.	(20.4)	(16.0)	(19.1)	(55.5)
Depreciation	(4.9)	(5.0)	(4.6)	(14.5)
Disposals	7.3	4.4	9.7	21.4
Depreciation 31.12.	**(18.0)**	**(16.6)**	**(14.0)**	**(48.6)**
Carrying amount 31.12.	**25.5**	**19.1**	**7.8**	**52.4**

Loss from selling or scrapping property, plant and equipment amounts to DKK 1.0m (2015: DKK 3.1m).

3.2 Property, plant and equipment (continued)

Operating leases

DKKm	2016	2015
Non-cancellable operating lease commitments		
Not later than 1 year	60.6	42.5
1-5 years	96.6	91.0
Later than 5 years	6.9	17.6
Total	**164.1**	**151.1**

Operating leases relate to leases of stores, new headquarter and equipment with lease terms between 1 and 10 years. Paid contingent (sale-based) rent is considered limited.

Lease payments recognised in the income statement relating to operating leases amount to DKK 127.9m (2015: DKK 124.9m).

3.3 Investment in subsidiaries and joint ventures

Zebra Japan K.K.
The investment in joint ventures has in 2015 and 2016 consisted of the investment in Zebra Japan K.K. who markets and sells products from Flying Tiger of Copenhagen on the Japanese market.

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

The impairment test of the investment in Zebra Japan K.K. resulted in a calculated recoverable amount of DKK 35.1m. Since the cost price of the investment amounts to DKK 53.1m an impairment loss of DKK 18.0m has been recognised. The applied assumptions are disclosed in note 3.3 to the Consolidated Financial Statements.

In order to improve the financial performance in the joint venture a turnaround plan has been put in place, which among other things includes shift towards a smaller store size and closure of unprofitable stores.

DKKm	Investment in subsidiaries	Investment in joint ventures	Total
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**
2015			
Cost 01.01.	35.0	40.1	75.1
Additions	52.4	-	52.4
Disposals	(0.3)	-	(0.3)
Cost 31.12.	**87.1**	**40.1**	**127.2**
Impairment losses 01.01.	(2.5)	-	(2.5)
Impairment losses 31.12.	**(2.5)**	**-**	**(2.5)**
Carrying amount 31.12.	**84.6**	**40.1**	**124.7**

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

3.4 Receivables from subsidiaries

Accounting policies
Intercompany receivables are measured at amortised cost which usually corresponds to the nominal value less write downs to counter for the risk of loss.

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
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.

Based on the expected future income and cash flows an impairment loss of DKK 4.4m regarding the long-term loans to subsidiaries has been recognised in financial expenses in 2016 (2015: DKK 11.3m). There has been no impairment loss of the short term trade receivable from subsidiaries in 2016 and 2015.

DKKm	2016	2015
Due within 1 year	185.6	87.3
Due between 1 and 5 years	50.0	93.8
Total	**235.6**	**181.1**

3.5 Inventories

DKKm	2016	2015
Finished goods	779.7	524.1
Write downs	(138.2)	(21.0)
Total	**641.5**	**503.1**
Write downs 01.01.	(21.0)	(4.9)
Write downs, during the year	(120.5)	(16.1)
Write downs, utilised during the year	3.3	-
Total	**(138.2)**	**(21.0)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 40.8m (2015: DKK 12.4m).

3.6 Other provisions

DKKm	2016	2015
Provisions 01.01.	9.5	-
Provisions, during the year	2.6	9.5
Provisions 31.12.	**12.1**	**9.5**
Non-current provisions	12.1	9.5
Current provisions	-	-
Total	**12.1**	**9.5**

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 insignificant.

3.7 Other payables

DKKm	2016	2015
VAT and other indirect taxes payable	0.4	3.8
Employee costs payable	49.4	42.5
Other payables	55.3	34.2
Total	**105.1**	**80.5**

3.8 Working capital changes

DKKm	2016	2015
Change in inventories	(256.0)	21.3
Change in receivables from subsidiaries	(28.5)	31.3
Change in receivables from joint ventures	(1.4)	(0.4)
Change in other receivables	(17.2)	(9.8)
Change in prepayments	(1.8)	4.1
Change in trade payables	208.5	26.5
Change in payables to subsidiaries	(3.2)	1.8
Change in other payables	17.2	28.6
Total	**(82.4)**	**103.4**

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
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**
2015					
Financial liabilities					
Bank debt	404.4	-	-	404.4	404.4
Deferred considerations	-	31.9	-	31.9	31.9
Trade payables	203.2	-	-	203.2	203.2
Amounts payable to subsidiaries	6.0	-	-	6.0	6.0
Other payables	80.5	-	-	80.5	80.5
Total	**694.1**	**31.9**	**-**	**726.0**	**726.0**

4.3 Financial risk management

Options on non-controlling interests in certain subsidiaries
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 (2015: DKK 0m).

Other derivative financial instruments and financial risks
Please refer to note 4.3 to the consolidated financial statements for more information regarding other derivative financial instruments and financial risks.

4.4 Net financials

DKKm	2016	2015
Financial income		
Interest on financial assets measured at amortised cost	0.1	2.9
Interest from subsidiaries	9.1	3.4
Exchange rate adjustments	5.7	3.6
Total	**14.9**	**9.9**
Financial expenses		
Bank charges*	15.2	11.2
Interest on financial liabilities measured at amortised cost	15.4	17.1
Impairment losses related to investment in joint ventures	18.0	-
Write-down of receivables from subsidiaries	4.5	11.3
Total	**53.1**	**39.6**
Net financials	**(38.2)**	**(29.7)**

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

5.1 Fees to statutory auditor

DKKm	2016	2015
EY		
Statutory audit of financial statements	0.5	0.5
Other assurance engagements	0.7	0.1
Tax advisory services	2.1	1.0
Other services	5.7	3.3
Total	**9.0**	**4.9**

5.2 Related parties

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

Subsidiaries and associated companies
Refer to note 5.6 to the consolidated financial statements for a list of subsidiaries.

The Parent has had the following transactions with related parties:

DKKm	Subsidiaries	Joint ventures	Total
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
2015			
Sale of goods	1,234.4	-	1,234.4
Royalty and service fee	-	21.2	21.2
Dividends received	33.4	-	33.4
Interests	3.4	-	3.4

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

Amounts receivable/payable with related parties, Parent

DKKm	2016	2015
Current loans:		
Receivables from subsidiaries, long term	50.0	93.8
Receivables from subsidiaries, short term	185.6	87.3
Receivables from joint ventures	3.6	2.1
Payables to subsidiaries	(2.8)	(6.0)
Total	**236.4**	**177.2**

The amounts outstanding are unsecured and will be settled in cash.

5.3 Guarantee commitments and contingent liabilities

Litigation
A few legal proceedings are pending which are not estimated to result in significant losses on 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 85.8m (2015: DKK 65.7m).

The Parent has provided a bank guarantee to HMRC, UK which amounts to DKK 7.8m (2015: DKK 22.6m). The Parent has provided a guarantee to the Japanese joint venture's bank which amounts to DKK 87.4m (2015: DKK 82.2m).

With respect to a grant received from the Icelandic government, the Parent has repayment obligations should the Company dispose its investments in Iceland before 2017.

Zebra A/S is the administration company of the joint taxation arrangement with the Danish subsidiaries in the Group and is under an unlimited and joint liability regime for all Danish tax payments and withholding taxes on dividends, interests and royalties from the jointly taxed entities.

Contractual obligation
In addition to the lease commitment disclosed in note 3.2, the contractual obligations related to service contracts amounted to DKK 45.5m (2015: DKK 25.2m). 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 DKK 30.0m nominal (2015: 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 DKK 25.0m nominal deposited by the Parent on assets, including the Parent's goodwill, leasehold rights and furniture (2015: DKK 25.0m).

The carrying amount of pledged assets is stated below:

DKKm	2016	2015
Pledged assets		
Leasehold rights	9.8	10.7
Goodwill	12.5	12.5
Trademarks	1.0	1.0
Leasehold improvements	31.9	25.5
Other equipment	5.7	7.8
Store furniture	21.5	19.1
Inventories	641.5	503.1
Other receivables	241.7	121.9
Total	**965.6**	**701.6**

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.

GIFT BAG
DKK 10

FLYING TIGER COPENHAGEN
AARHUS, DENMARK

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 2016.

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 2016, the results of the Group and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016.

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, 31 March 2017

Executive Management

Michael Hauge Sørensen CEO (Interim)	Henrik Skov CFO

Board of Directors

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

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 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant 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 disclosure requirements in 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 2016 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 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and the parent company financial statements” section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management’s review
Management is responsible for the Management’s review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we concluded that the Management’s review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management’s review.

Management's responsibilities for the consolidated financial statements and the parent company 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 disclosure requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

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

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

- 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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, 31 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant

Thomas Bruun Kofoed
State Authorised
Public Accountant

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