Annual Report 2021

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

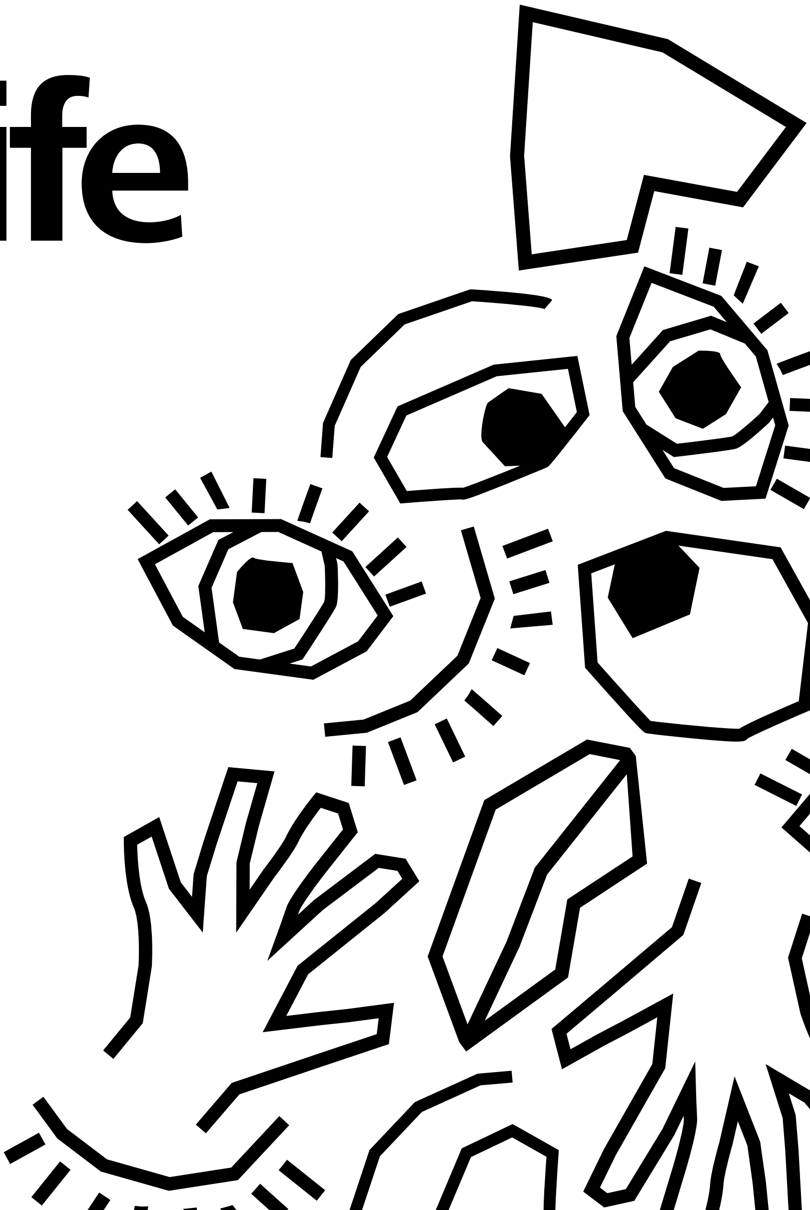
Annual General Meeting:
02.06.2022

Chairman of the meeting:
Lasse Lippert

Table tennis set
DKK 40

FSC

An invitation to a richer life



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

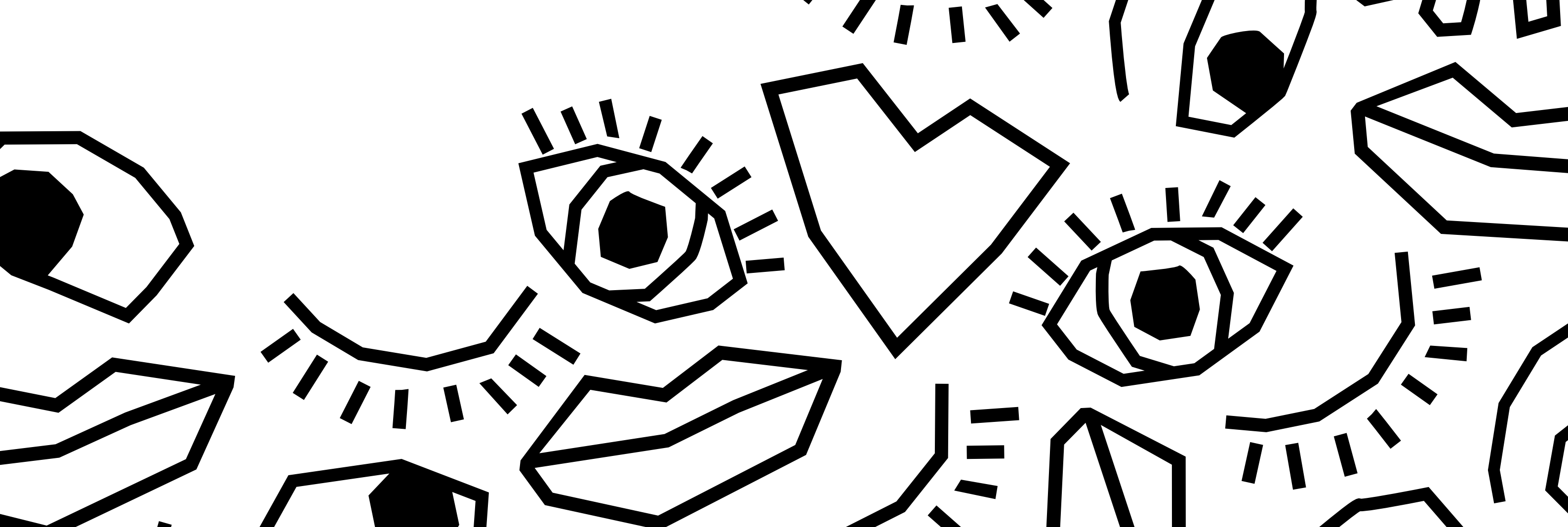
Whether we are designing extraordinary products for everyday life, or making everyday products look extraordinary, we want to bring you something that can bring you closer to someone else.

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

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

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

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



Content

We are proudly supporting the United Nations Global Compact, the world's largest corporate sustainability initiative, and endorse its ten principles to respect human and labour rights, protect the environment, and fight corruption. This report represents our Communication on Progress for 2021. This report also represents our statutory statement on social responsibility, underrepresented gender, diversity and data ethics in accordance with sections 99a, b & d and 107d of the Danish Financial Statements Act. Please refer to sections Data ethics, Sustainability and Building a strong people foundation.

The world of Flying Tiger Copenhagen

Zebra A/S, the Parent Company of the Flying Tiger Copenhagen stores, is a variety retailer founded in Denmark. Our stores offer new, fun, and useful products at affordable prices made with thought for our shared resources. All stores are marketed internationally under the Flying Tiger Copenhagen brand name, and by the end of 2021, the Group operated 858 stores in 27 countries across Europe and Asia. Furthermore, 22 stores in South Korea are operated under a franchise agreement.

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

Flying Numbers

Revenue

3,813

DKKm

Stores

858

incl. Japanese joint venture

Countries

27

across Europe and Asia

Approx. number of employees

6,000

Note: The stores in South Korea are now operated by a franchise partner and therefore not included in the above.

Iceland
5 stores
Sweden
42 stores (-9)
Norway
35 stores (-3)
Finland
31 stores
Denmark
51 stores (-1)
Estonia
7 stores (-1)
United Kingdom
85 stores (-1)
Latvia
6 stores
Netherlands
20 stores (-2)
Ireland
23 stores
Lithuania
6 stores
Poland
44 stores (-1)
Belgium
23 stores
Czech Republic
17 stores
Germany
33 stores (-3)
Slovakia
8 stores
France
43 stores (-9)
Hungary
11 stores
Austria
13 stores
Portugal
36 stores
Switzerland
15 stores (+3)
Spain
118 stores (-9)
Italy
129 stores (-1)
Cyprus
6 stores
Malta
3 store
Greece
13 stores
South Korea
22 stores (+4)
Japan
35 stores (+4)
Our markets 2021
Our franchise markets
Total number of stores 2021
(Net new stores 2021)

Message from Executive Management

2021 was another year heavily impacted by the global pandemic with variants of COVID-19.

The first half of the year was dominated by lockdowns as a result of the emergence of the Alpha variant and winter seasonality. Over the course of late spring and summer, the situation somewhat normalised despite the Delta variant with strong trading as a result. At the very end of 2021, the Omicron variant emerged, again triggering various restrictions and traffic decline. Early in 2022, most markets are normalising once again on the back of what appears to be better control of the pandemic. Therefore, with the recent months' development, we expect to see a more normalised 2022.

2021 also turned out to be the year where the global supply chain was severely impacted by congestions across the globe. As we source the vast majority of our products from China, this congestion had a severe negative impact on our ability to distribute products to our stores and to our customers.

As in 2020, we managed through the pandemic with our priority being the safety of our employees around the world and safeguarding our business by calibrating our operations to this environment. We had strong support and understanding from all our stakeholders and managed various compensation schemes from governments as we did in 2020.

Despite these worldwide challenges, our customers continue to appreciate our unique concept and products resulting in strong trading when our stores are open. The contribution from all our employees across markets and functions ensured that 2021 was successful. For that we are extremely grateful, proud, and full of admiration.

Our operational performance for the full year was satisfactory, and significantly better than 2020.

During 2021, we continued optimising our operations to secure the business in these uncertain times. In addition, we also began executing on the new commercial strategy with strong potential. On the back of a successful pilot in 2020, we expanded our ecommerce business across all our markets in Europe to cover 22 countries. Another pillar in our strategy is growth and expansion in new markets together with market leading franchise partners. During 2021, we prepared this new business area and during the first four months of 2022, we have opened 12 stores in Israel, the Kingdom of Saudi Arabia and the United Arab Emirates.

In February 2021, the company changed ownership and we are now fully owned by the privately held Danish investor, Treville X Holding ApS and senior management. A change in ownership that has proven to be strong with full support to our strategy and all our initiatives. The investment by Treville X Holding ApS is a true testament to our unique concept and a belief in a strong future for the company. As part of the transaction, new funding was injected into the business.

Consequently, at the time of completing this annual report we have a strong belief in the future based on our ability to optimise and protect our core business throughout incredibly challenging times as well as the early results from our growth initiatives. We remain convinced that our strong concept is sustainable and can thrive in existing and new markets with all our colleagues driving us forward. We are therefore convinced that Flying Tiger Copenhagen will grow even stronger.

/ Martin Jermiin & Christian Kofoed H. Jakobsen

Key figures

DKKm	2021	2020[8]	2019[7, 8]	2018[7, 8]	2017[6, 7, 8]
Statement of profit or loss					
Revenue	3,812.5	3,472.5	5,325.2	5,486.4	5,032.3
Gross profit	2,346.6	1,651.0	3,216.4	3,129.8	3,051.6
EBITDA before special items	**952.2**	**112.1**	**1,118.0**	**122.7**	**380.0**
Adjusted EBITDA[2]	236.3	(712.7)	326.1	274.7	460.2
EBIT	266.0	(849.4)	(24.9)	(234.2)	89.2
Result from financial items	(141.2)	(380.4)	(98.3)	(328.1)	(63.5)
Adjusted profit/(loss) for the year [1, 3]	(33.6)	(1,249.7)	(89.5)	(57.8)	138.9
Profit/(loss) for the year from continuing operations	108.2	(1,415.9)	(144.3)	(520.9)	4.1
Profit/(loss) for the year from discontinued operations[8]	-	(126.4)	(79.3)	(20.5)	-
Profit/(loss) for the year	108.2	(1,542.3)	(223.6)	(541.4)	4.1
Financial position at 31 December					
Invested capital[9]	2,011.5	2,264.6	3,496.9	1,213.5	1,160.5
Total assets	4,116.5	3,998.5	5,745.6	3,666.2	2,848.4
Net interest-bearing debt[1]	3,295.7	3,711.8	3,632.4	1,296.9	641.0
Net interest-bearing debt excluding lease liabilities	1,532.4	1,671.8	1,119.2	1,296.9	641.0
Pro forma adjusted equity[4]	(471.6)	(714.0)	563.7	503.9	819.2
Equity	(1,230.6)	(1,458.9)	180.1	21.3	(220.8)
Cash flow and investments					
Investment in property, plant and equipment	(41.3)	(37.2)	(58.2)	(241.2)	(213.9)
Free cash flow	761.9	20.6	620.3	(307.0)	(69.8)
Key ratios					
Revenue growth	9.8%	(34.8)%	(2.9)%	9.0%	17.7%
Gross margin[1]	61.6%	47.5%	60.4%	57.0%	60.6%
Adjusted gross margin[2]	61.6%	47.5%	60.6%	59.8%	62.0%
EBITDA margin before special items[1]	25.0%	3.2%	21.0%	2.2%	7.6%
Adjusted profit/(loss) margin[1, 3]	(0.9)%	(36.0)%	(1.7)%	(1.1)%	2.8%
Profit/(loss) margin	2.8%	(40.8)%	(2.7)%	(9.5)%	0.1%
Comparable store sales growth[1, 10]	(25.0)%	(33.3)%	(6.5)%	(0.3)%	(1.4)%
Leverage[1]	3.5x	33.1x	3.2x	10.6x	1.7x
Number of stores, including joint ventures	858	891	949	977	863
Adjusted EBITDA margin[2]	6.2%	(20.5)%	6.1%	5.0%	9.1%
Pro forma consolidated financial information[5]					
Pro forma revenue	3,899.6	3,555.9	5,420.3	5,579.5	5,126.5
Pro forma adjusted EBITDA[2]	241.0	(713.5)	329.7	276.7	463.5
Pro forma adjusted EBITDA margin	6.2%	(20.1)%	6.1%	5.0%	9.0%

[1] Key figures are defined in 'Definition of key figures and ratios' on page 128.
[2] Adjusted EBITDA, adjusted EBITDA margin and adjusted gross margin excludes extraordinary write-downs and scrapings of DKK 0m recognised in Cost of sales (2020: DKK 0m, 2019: DKK 12.9m, 2018: DKK 152.0m and 2017: DKK 70.4m), special items, the impact of IFRS 16 and discontinued operations.
[3] Adjusted profit for the year excludes extraordinary write-downs and scrappings (see footnote 2), special items after tax, fair value adjustment of call options, impact of IFRS 16 and discontinued operations.
[4] The calculation of the pro forma adjusted equity is described in note 4.2.
[5] Pro forma consolidated financial information reflects a proforma proportionate consolidation of the 50% owned Japanese joint venture adjusted for IFRS 16 and discontinued operations.
[6] 'IFRS 9 Financial instruments' and 'IFRS 15 Revenue from contracts with customers' have been adopted as of 1 January 2018 and have been applied prospectively making use of the relief from restating the comparative information. The above key figures for the year 2017 have therefore not been altered.
[7] 'IFRS 16 Leases' has been adopted as of 1 January 2019, using the modified retrospective approach and therefore the comparative information has not been restated. The above key figures for the years 2017 and 2018 have therefore not been altered.
[8] In 2021 the German entity ceased to be classified as discontinued operations. The comparative statements of profit or loss is re-presented from the start of 2018.
[9] Invested capital adjusted for the impact from IFRS 16 and discontinued operations amounts to DKK 424.9m (2020: DKK 381.6m and 2019: DKK 1,133.5m).
[10] Comparable store sales growth according to previous definition: 2020: (33.3)%, 2019: (6.4)%, 2018: (0.2)%, 2017: (1.4)%.

Mission and strategy

Welcome to the world of Flying Tiger Copenhagen.

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

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

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

The history of Flying Tiger Copenhagen

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

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

Now, more than 30 years after the opening of our first store, we are a variety retail concept with 858 stores across 27 countries. In 2021 we achieved a revenue of DKK 3.8bn, and we have more than 6,000 fantastic employees.

We design our own products

Our product range is developed by our in-house product department and is inspired by our Danish heritage. The product selection is based on relevance and uniqueness and with an overarching focus on sustainability throughout the product range. Our first graphic designer was hired in 2006 and we now have a full in-house design department creating graphic design as well as product design in close cooperation with our Product Managers.

Tie-dye-kit
DKK 30

Our assortment includes categories ranging from home, kitchen, hobby, and party, to toys, electronics and gadgets, food and accessories and has a broad appeal across all demographics. Each month, the assortment is refreshed with new products typically adapted to seasonal themes and/or festive occasions, e.g., Valentine's Day, Back-to-School, Halloween, or Christmas.

The seasonal campaign products are complemented by our fixed assortment consisting of around 1,400 products that are relevant across seasons and always available in our stores.

Sourcing

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

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

To ensure an optimal product execution in stores, we have established a cross-functional sales and operations planning process. This process monitors the full supply chain status and alerts in due time in case of any discrepancies in targets or planning.

Logistics

An efficient logistics operation providing our stores with on-time deliveries is a cornerstone in our business. We work with a number of logistics providers to ensure scalable and cost-efficient operations around the globe. In 2021, our logistics centres in Copenhagen (DK), Raunds (UK), Barcelona (ES), Shanghai (CN), Shimizu (JP) and Incheon (KR) shipped more than 307,000,000 pieces to our stores.

Brick-and-mortar stores

In 2021, we continued our journey in optimising our store network and functions, and also strengthening the backbone of our business to prepare for solid future growth.

Our stores are leased to minimise upfront investments and are 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 stores appear open and light, laid out in a maze, simple to navigate, enabling the customers to seek inspiration and discover the full range of products as they go along, while the lively and recognisable music creates a welcoming atmosphere.

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

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

Online shopping

An important pillar in our strategy is growing our online presence and omnichannel approach. What started as a small-scale online business in Denmark and Sweden in 2020, has over the past year grown into a large pan-European ecommerce platform covering most of our European markets. Through the online channel we are able to reach millions of customers in 22 countries. We are incredibly thankful for the over-whelming reception from customers and appetite to shop with us online and trading is well above expectations both in terms of basket size and number of transactions.

Our Markets

We have a strong presence across Europe and in Asia. In the majority of our European markets, we own and operate the business ourselves, i.e. 100% ownership.

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

Today the fully owned and operated entities are Denmark, Sweden, Norway, Finland, Iceland, Baltics, United Kingdom, Ireland, the Netherlands, Poland, Italy, France, Germany, Greece and Cyprus and part of Belgium as well as a large part of Spain including areas around Barcelona, Madrid, Mallorca, and Valencia.

In the remaining European markets, the operation is structured through partnerships. In Asia, Japan is a joint venture partnership whereas South Korea is run as a franchise partnership. In the future, we will apply the franchise model when entering new markets, which in fact became reality in early 2022.

Corporate backbone

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

Financial and operating model

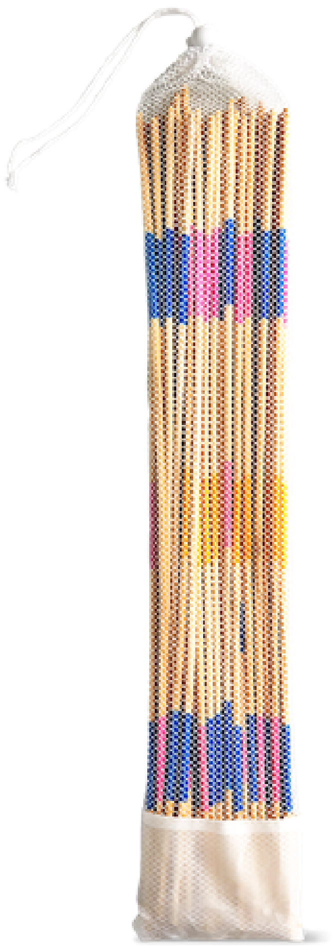
We have an operating model with a governance structure anchored around our Senior Leadership team who monitor and review the business functions and partners' operational and financial performance, aiming to proactively take advantage of opportunities as well as address potential challenges in our markets, including the pandemic and global supply chain challenges we experienced in 2021.

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

We perpetually pursue freeing up capital to support continuous developments of our business. Our initiatives aim to improve inventory levels by lowering lead time from purchase to sale, strengthening our forecasting process and improving working capital as well as strengthening coordination across the organisation.

Diversity

Zebra aims to offer equal opportunities to men and women across the organisation, and it is company policy to promote equal opportunities regardless of gender, ethnicity, race, religion and sexual orientation. Please see section Building a strong people foundation to read about our diversity status and targets as well as our People strategy.



Pick-up sticks
DKK 40
FSC

Global growth

The Flying Tiger Copenhagen brand is recognised worldwide for its uniqueness and strong position. Besides having a very solid footprint in Europe, we also have a proven track record in both the Japanese and Korean market.

To continue strengthening our global presence and offering our unique products to even more consumers, a new Franchise business model was developed. Here we targeted global professional retailers with experience in launching and operating the best global retail brands in their local markets.

In May 2021, Flying Tiger Copenhagen signed the first Franchise agreement with Saudi Arabian retailer Fawaz Alhokair Group Fashion Retail, to launch the Flying Tiger Copenhagen concept in the Saudi Arabian market and to open minimum 45 stores during the coming five years.

In June 2021, we signed an agreement with UAE retailer Azadea, to open 20 stores during the next five years starting early 2022.

Fox Group, an Israeli Franchise partner, was signed in September 2021 with the commitment to open at least 50 stores in Israel over a five-year period also starting early 2022.

The agreement with these three new global Franchise partners has laid the foundation for a strong presence in the Middle Eastern region and will include both brick-and-mortar stores and an online offering, and the region and collaborations will be a cornerstone in the new Franchise channel and global growth ambitions for Flying Tiger Copenhagen in the years to come. In the first four months of 2022, 12 franchise stores have opened.

We are certain that this will add to the global strength of the Flying Tiger Copenhagen brand enabling us to offer our unique experience, both off- and online and we are very excited about this next step in our continued development of the business.

“We want to be where our customers are, not only in Europe and our success in the Asian markets has clearly shown that there is a proven global potential,” says Martin Jermiin, CEO.


RUSSIA
EUROPE
UKRAINE
KAZAKHSTAN
MONGOLIA
UZBEKISTAN
TURKMENISTAN
TURKEY
Black Sea
GREECE
SYRIA
CYPRUS
Mediterranean Sea
IRAQ
IRAN
AFGHANISTAN
PEOPLE'S REPUBLIC OF CHINA
ASIA
NEPAL
PAKISTAN
EGYPT
SAUDI
ARABIA
Red Sea
INDIA
MYANMAR
LAOS
SUDAN
OMAN
Bay of
Bengal
THAILAND
CAMBODIA
South China
Sea
ERITREA
YEMEN
Socotra
SOUTH
SUDAN
ETHIOPIA
SRI
LANKA
SOMALIA
KENYA
TANZANIA
SEYCHELLES
COMOROS
ZAMBIA
MALAWI
ZIMBABWE
MOZAMBIQUE
MADAGASCAR
MAURITIUS
INDIAN OCEAN
SOUTH
AFRICA
Java

Picture frame
DKK 30

Operating and financial review 2021

In 2021, the Group realised earnings before interest, tax, amortisation, depreciation and impairment losses and special items (EBITDA before special items) of DKK 952m compared to DKK 112m in 2020. This 2021 result was achieved despite impact from different waves of the global pandemic (Alpha, Delta and Omicron) as well as global supply chain challenges. The Group's disciplined cost control as well as agility in operating under these difficult circumstances were key drivers of this strong result. Additionally, revenue in 2021 was DKK 3,813m, which was 10% higher than in 2020. Despite the fact that, on average, approximately 30% of our store portfolio was closed in the first six months of 2021. Net Profit for the year amounted to DKK 108m.

The Executive Management and the Board of Directors consider the operational and financial performance of 2021 to be satisfactory in the light of the continued impact from the COVID-19 pandemic and global supply chain challenges.

During 2021 the Group cancelled the sales process for the German business as it was not possible to come to a satisfactory agreement with the potential buyers. The Group have decided to continue the activity in Germany and has initiated a number of improvement initiatives to ensure that the German business will strengthen its future performance. Therefore, the German business is no longer presented as discontinued operations. In the statement of profit or loss accounting items relating to the German business are reclassified to the items from which they were originally separated, and comparative figures are restated.

Since June 2021, the Group's freight forwarder has charged rates for sea freight above the contractually agreed rates. The Group has paid the disputed overcharges under protest and has recognised the difference between the amounts paid and the contractually agreed charges as a receivable in the balance sheet. Furthermore, the Group has not been serviced according to the contractual capacity guarantee. The Group has engaged in commercial discussions with the Group's freight forwarder, but without satisfactory outcome. To resolve the dispute, the Group initiated legal proceedings before the Danish Maritime and Commercial High Court ("Sø- and Handelsretten") on 1 March 2022. The Group is highly confident in the ability to recover the charges incurred.

Throughout the year, the Group executed on four large programmes as an integral part of the Group's strategy:

1. **Customer & Digital** to focus even more on our customer's digital journey and engagement with Flying Tiger Copenhagen across touchpoints. This also includes a further strengthening of our ecommerce platform, which was rolled out across all core markets during 2021.

2. The second initiative is **Merchandise Planning** where we have worked intensively on solutions to optimise the allocation and replenishment of our products and volumes in the right time to stores. This is to ensure a much smoother process for our stores to the benefit of our customers and also produce a higher stock turn.

3. The third programme is a broader set of **Retail initiatives**, which focuses on an even more efficient way of operating our stores e.g., self-checkout solutions and more seamless customer experience.

4. Finally, our last initiative is our **Franchise business** where we have been deeply engaged with a number of large retail franchise operators during 2021 to expand our concept outside our current markets in Europe and Asia. In 2022, we have now successfully launched three new markets being Israel, the Kingdom of Saudi Arabia and the United Arab Emirates and more markets will follow during the coming years.

Revenue Development

Total revenue in 2021 was DKK 3,813m, corresponding to an increase of DKK 340m compared to 2020. The revenue in 2021 was impacted by temporary lock-downs and lower traffic in our markets due to COVID-19 restrictions.

In 2021, we closed net 37 stores, which reflects a balance of 59 store closures, 22 new store openings and 13 stores relocated as part of the ongoing optimisation of our store footprint. In addition, our Japanese joint venture opened eight new and closed four stores.

Our five largest markets represented 63% of total revenue of which Italy was the largest market followed by Spain, the United Kingdom, Denmark and Sweden.

By the end of 2021, we operated 858 stores across 27 markets (including our Japanese joint venture). Although we have put the rapid store expansion in Europe on hold while we continue to optimise our store network, we still see a significant potential for further store expansion. The future growth will primarily come from our franchise setup in new markets, which is scalable and will be entered into with strong regional or global franchise operators. Our ecommerce platform will also add to our future growth and to some extent, new store openings in existing markets at a controlled pace.

Top markets in 2021

	Revenue (DKKm)	Growth (%)	Net new stores
Italy	862	25%	(1)
Spain	548	11%	(9)
UK	452	24%	(1)
Denmark	355	(8)%	(1)
Sweden	191	(7)%	(9)
Subtotal	2,408	13%	(21)
Total	**3,813**	**10%**	**(37)**

Development in Earnings

In 2021, the gross margin increased from 47.5% in 2020 to 61.6% in 2021, mainly driven by fewer COVID-19 lock-downs in 2021 compared to 2020 and as a result, we delivered a more normalised product flow and inventory management.

Operating costs (staff costs and other external expenses) excluding COVID-19 government compensations were DKK 1,605m in 2021 compared to DKK 1,672m in 2020, representing 42.1% of revenue in 2021 compared to 48.1% in 2020. The proportionate decrease in our operating cost base was driven by a strong cost discipline and a strategic prioritisation of simplifying our operations. Again in 2021, different COVID-19 compensation schemes were obtained and contributed to EBITDA before special items.

EBITDA before special items amounted to DKK 952m compared to DKK 112m in 2020, which was an increase of DKK 840m.

Special items in 2021 were an income of DKK 98m as the Group received an insurance settlement of DKK 125m.

Profit for the year amounted to DKK 108m compared to a loss of DKK -1,542m in 2020, primarily driven by items mentioned above.

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

Net Working Capital (NWC) decreased in absolute terms from DKK -164m in 2020 to DKK -169m in 2021. The small decrease was mainly a result of increased third party trade payables due to supply chain delays offset by increased other receivables due to the disputed paid overcharged freight rates.

Cash flow from investing activities was DKK -89m in 2021, which was DKK -28m higher compared to 2020, mainly due to investments in development of the IT platform and investing in new payment solutions in our stores.

Free cash flow was positively impacted by the operating profit before special items and was DKK 762m compared to DKK 21m in 2020.

Net interest-bearing debt was DKK 3,296m at the end of 2021, compared to DKK 3,712m in 2020. This includes a net decrease in bank debt, an increase in cash and cash equivalents, and a decrease in lease liabilities, which are recognised on the balance sheet as per IFRS 16. Net interest-bearing debt excluding lease liabilities was DKK 1,532m at the end of 2021, compared to DKK 1,672m in 2020. The Group's liquidity has improved during 2021 because of stronger operating performance as well as continuous implementation of liquidity optimisation initiatives.

Provisions for the acquisition of non-controlling interest and equity

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

The exercise prices are determined with reference to contractually defined EBITDA multiples. The calculation of the provisions under IFRS for the put options is based on the general assumption that all the partners exercise their put options at year-end 2021 with the agreed notice period of 12 months.

The decrease in the provisions for the acquisition of non-controlling interests (non-current and current in total) from DKK 172m in 2020 to DKK 159m in 2021 is due to the Group having acquired four partnerships in 2021. By the end of 2021, the Group had acquired partnerships for accumulated DKK 903m.

Zebra's call options over the remaining ownership interests in certain subsidiaries is recognised in the balance sheet as a derivative financial instrument. The fair value of the call options is determined by the estimated fair value of the non-controlling interest less the exercise price determined by reference to the contractually defined EBITDA multiples. The changes in fair value of these financial derivatives are included in the income statement. In 2021, the fair value of the call options was DKK 303m and the fair value adjustment included in the income statement was DKK +58m.

Percussion
DKK 30

Equity

DKKm	2021	2020	2019	2018	2017
Pro forma adjusted equity	**(472)**	**(714)**	**564**	**504**	**819**
Provision for non-controlling interest	(159)	(172)	(249)	(246)	(353)
Acquired non-controlling interests (accumulated impact)	(903)	(855)	(690)	(687)	(687)
Fair value of call options	303	282	555	450	-
Reported equity under IFRS	**(1,231)**	**(1,459)**	**180**	**21**	**(221)**

Adjusted for the accumulated impact of acquired non-controlling interests as well as provisions for existing partnership agreements and the fair value of the call options, the pro forma adjusted equity was DKK -472m by the end of 2021, which was DKK 242m higher than in 2020. The increase mainly relates to the profit for the year of DKK 108m as well as the share capital increase of DKK 170m.

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

The reported equity turned negative at the end of 2020 with DKK 1,459m for the Group and DKK 770m for the Parent Company and thus the registered share capital was fully lost. In 2021, the equity of the Group has been improved and ended the year with a negative amount of DKK 1,231m and with a negative amount of DKK 526m for the Parent company.

On 10 February 2021, a change in ownership of Zebra A/S materialised, which involved a capital injection of DKK 170m and simultaneously new and increased credit facilities provided by the Group's core banks. This was established to support the continued operations and transformation of the Group and also to ensure that the Group has sufficient funding during the pandemic and the foreseeable future. In addition to this, the maturity of the existing credit facilities was extended to April 2024 and the Company obtained access to certain committed additional capital and funding should the need for additional liquidity become evident before the end of 2022. In addition to this, the financial covenants were changed and for 2021 only a liquidity covenant and investment limitations applied to support the future initiatives.

The Executive Management and the Board of Directors are comfortable with the progression of the business and the strong liquidity and have carefully assessed the current financial situation for the Parent Company and the Group, including the ongoing initiatives for 2022 for the Group, the forecasted trading, results and cash flows, uncertainties, and available funding.

We continue to focus on strengthening the current operations and ensuring that our ecommerce business develops positively in our core markets in Europe during 2022 and onwards. Further, our franchise solution developed well in our new markets with 12 stores opened in the first four months of 2022. All of this provide the Executive Management and the Board of Directors with a platform to forecast for future profitable growth that will contribute to restoring the share capital and reported equity over the coming years.

Executive Management anticipates a positive result again for 2022, although recovery of the registered share capital will take more years.

The key assumptions underlying our expectations for 2022 and onwards, anticipate a gradual improvement of the customer footfall as well as product supply improvements driving stronger trading in 2022. Financing costs are assumed to be stable at the current level, and we also assume a continued controlled development in working capital.

As the available funding (liquidity position and available financing including available commitments) is assessed to be adequate under the current anticipated reasonable scenarios for recovery, Executive Management assesses that there is sufficient basis and liquidity for continuing our initiatives developing the Group and thereby, over the years, re-establish the equity. Please also refer to note 1.3 Going concern.

Japanese joint venture

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

Revenue increased by 11% in reporting currency from DKK 229m in 2020 to DKK 253m in 2021. In local currency, revenue increased by 17% to JPY 4,422m. At the end of 2021, the joint venture operated 35 stores.

EBITDA in the Japanese joint venture of DKK 53m was at level with 2020 (including royalty and service fee payments to Zebra in 2021 and 2020 of DKK 13m and DKK 11m, respectively).

We continue to consider the Japanese market to be attractive and together with our partner, we continue to improve the business, which includes a shift from larger stores towards more standardised store sizes in line with our European stores, new assortment introductions, as well as various store efficiency initiatives. There is good progress on this plan, which we gradually experienced during 2021.

Parent Company

In 2021, the Parent Company realised revenue of DKK 1,814m compared to DKK 1,355m in 2020 mainly due to higher sales to our subsidiaries. EBITDA before special items in 2021 was DKK 152m compared to DKK -830m in 2020 due to the large increase in revenue as well as a reduction in cost of sales and disciplined cost control in general. Profit for the year amounted to DKK 30m.

Pirate ship
DKK 80

Packaging transition

Cake Slicer

For this packaging transition, we have removed the insert in cardboard and the outer plastic box and replaced it with a one-piece cardboard packaging. To minimize waste and conserve materials, the holder for the cake slicer is constructed with the cardboard cut out to create a window.

Estimated emissions* per year

Before

3,950 kilos

Now

870 kilos

Saving

3,080 kilos

Packaging now

Packaging before

Pencils

One of the biggest challenges with changing packaging from plastic to cardboard is the visibility of the item. Having "open windows" will allow the customer to both see and touch the object, which provides an additional dimension to the buying experience.
This is an example of changing the packaging of one of our pencils and the emission and plastic savings this leads to and we have actually changed the packaging for almost our whole entire pen and pencil range.

Estimated emissions* per year

Before

7,805 kilos

Now

1,815 kilos

Saving

5,990 kilos

*Estimated annual emissions are all created based on the purchase volumes of goods in 2021. Emissions refers to C02 or C02-equivalent emissions.

Vase
DKK 30

Risk management

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

Financial risk

The nature of Zebra's operations, investments, and financing arrangements, expose 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 to mitigate material impacts on the Group's financial position.

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

Currency risk

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

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

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

Interest rate risk

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

Liquidity risk

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

Jug
DKK 80

Funding risk

Zebra has credit facilities with covenants, which are customary for such facilities. Should Zebra fail to comply with the covenants, the lenders may terminate the credit facilities. All covenants are monitored and reported on a regular basis, enabling Zebra to act proactively if required.

Credit risk

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

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

Tax

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

Operational risk

Zebra has identified key operational risks within the areas of:

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

Market place

Competition

As a retailer, Zebra is exposed to competition from other retailers with a value proposition like Zebra's as well as competition from online formats. Zebra has during 2021 rolled out an ecommerce platform across all main markets in Europe. To mitigate competition from other retailers, Zebra continues to invest in and develop the Flying Tiger Copenhagen brand and concept to maintain the concept's edge and attractive value proposition. The initiatives include continued development of the concept as well as strengthening of the Group's creative capabilities within category management, sustainability, design and innovation, visual merchandising, marketing, branding, and training of the store staff to sustain or improve the level of service provided in the stores.

Customer preferences

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

Operation

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

Sourcing

Forecasting

Zebra is continuously strengthening our forecasting approach to better forecast 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 stock mark-downs and write-downs impacting the financial results negatively. This is monitored closely.

Vase
DKK 40

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 of Conduct and compliance is monitored through a supplier audit programme. Please refer to the Sustainability section for further information about Zebra's Sustainability efforts and results achieved.

Supply chain disruptions

Disruption to our supply chain, both inbound to our warehouses as well as outbound from our warehouses to stores, may cause product shortage and/or longer lead times, which may have a negative impact on our reputation, ability to meet demand and our financial results. To mitigate such potentially negative impacts, Zebra continuously monitors the supply chain and continues to invest in and build sourcing and supply chain systems, processes and capabilities and holds a marine cargo insurance policy. In 2021, the global supply chain performance was challenged due to the global market situation and specific supplier performance issues and was monitored closely with mitigating actions initiated.

Products, trademarks and legal claims

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

Zebra has policies across the business, as well as process controls, which guide our day-to-day operations. Also, Zebra has dedicated teams focusing 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 built its success around a 50/50 partnership model in which we share investments, costs, and profits with our partners. Zebra owns and develops the concept, brand and supplies the products while the partners carry out the store rollouts and local day-to-day operations within the jointly developed business plans, framework, and guidelines of the partnership agreements. These mechanisms and incentives ensure alignment of interests. Failure to maintain a successful collaboration may adversely affect our financial results. We value our partners and maintain an open and frequent dialogue. The number of our 50/50 partnerships has reduced during the past years.

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

People

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

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

Cybersecurity

Zebra works proactively and on an ongoing basis with cybersecurity and mitigating risks. Like most other companies, we regularly experience phishing attempts but we have not experienced any damage within the business. Cyber-attacks are obviously a much more serious matter, but not something we have experienced.

Insurance policies

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

Special risks

The global pandemic impacted our 2021 results negatively. It is, however, our general understanding that the pandemic is stabilising during the first months of 2022. We have handled the pandemic in a solid manner, and we are attentive to future developments in the pandemic. However, there is still uncertainty when it comes to traffic patterns and trading on the back of the pandemic, and we monitor this closely.

The sourcing and delivery of products predominantly from China, has stabilised although global supply chain challenges outlined remain. The expected negative impact on operational and financial performance, as well as on liquidity position, deriving from changed traffic patterns and supply chain issues remain unclear as of the date for completing the Annual Report 2021. Therefore, mitigating actions with respect to cost recoveries and delivery certainties have been initiated.

COVID-19 protection initiatives

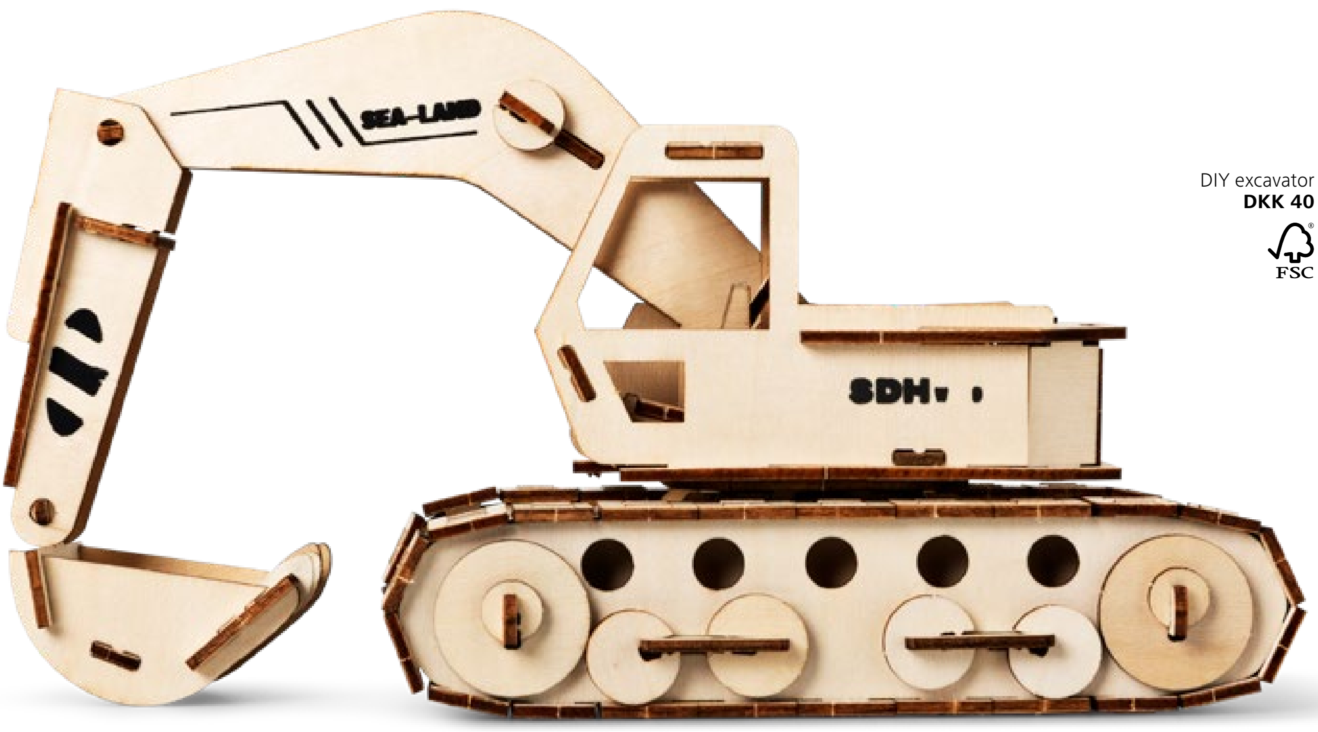
During 2021, most of our markets were closed in periods of time, and in varying degrees from full lock-down to semi-open. A situation that called for extraordinary safety measures towards our customers and our people. At all times, we had the health and safety of these two groups at heart and we have throughout the pandemic adhered or gone beyond all measures put in place in the respective markets.

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

In our Head Office in Copenhagen, we have adhered to the Danish authorities' recommendations to facilitate making staff work from home. Extensive precautions and guidelines were set up during the most critical times in the pandemic such as specific time slots, restricted areas per team, etc. to avoid contact between colleagues. Additionally, Personal Protection Equipment (PPE) was available in the office.

Pre-COVID-19, the vast majority of the HQ organisation already worked on company provided laptops and a VPN system was already in place, which made the change to remote working smooth and relatively easy to implement. The lockdowns during 2020 made it a natural continuation of this modus operandi and all HQ colleagues have worked in a very flexible and hybrid manner throughout 2021 as well.

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



DIY excavator
DKK 40

FSC

Data ethics

According to section 99(d) of the Danish Financial Statements Act, we have included this section to report on our approach to Data Ethics.

In Zebra A/S, we collect, generate and process data of both personal and non-personal nature across our entire business as part of our operations within purchasing, supply chain, sales, marketing, HR, finance, and tech.

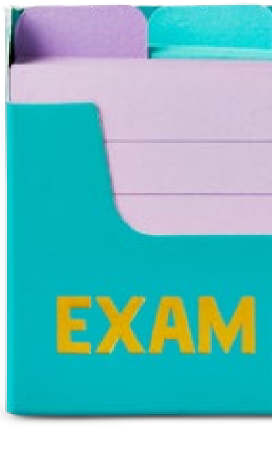
Today we have a verbal policy on Data Ethics, and this will be converted into a written Data Ethics policy during 2022.

One of our core values is "Heart", which refers to that whatever we do, we put our hearts and beliefs into. Obviously, this also prevails within Data Ethics and the way we approach this, and we therefore ensure that our processing of data comply with regulatory requirements. We also make sure that our customers, employees, shareholders, stakeholders, and the communities that surround us can be comfortable with our handling of the data that they trust us with. This is also in line with another of our core values "Open Doors"; we aim at being open and transparent regarding use of personal data.

We recognise our GDPR obligations and have Data Processing Agreements in place with data processors when they handle data on our behalf and for which we are data controllers. We process personal data as a controller, e.g. regarding our customers to fulfil a purchase and obtain a better understanding of our customers. With respect to our employees, we process data as part of our day-to-day HR operations. The type of data we process ranges from ordinary personal data such as general contact information to sensitive personal data such as employee health information. The latter only to the extent required by applicable law.

We apply customer data to target our online content and to shape more personalised and relevant experiences for our customers when they engage with us. The parameters we apply are website behaviour data, transactional data, and campaign response data to improve our machine learning solutions and algorithms to design even better and more personalised customer experiences. We aim to communicate clearly to our customers around our use of their data.

We are committed to complying with all regulations on data usage, storage, and processing as part of conducting our operations. We are also aware that the fast development in data access, technology and application requires considerations on how to collect, process and apply data in an ethical manner, which we adhere to as a responsible company.



Our Data ethical principles

In Flying Tiger Copenhagen, we recognise the benefits of data utilisation to drive better customer experiences as well as improve our internal processes. However, people we engage with, be it our customers or our employees, will always constitute the foundation of our business. Consequently, our data ethical commitment is based on our respect for their privacy and when needed, their consent.

Our approach

All employees are introduced to our principles regarding Data Ethics be it current employees as well as new employees through our Privacy Policy that is shared with all employees as part of the recruitment process and it is available at our company intranet.

Our anchoring

As a data-driven company, we perceive Data Ethics as being important and it is anchored at the top of our organisation. Our Board of Directors are ultimately responsible for our business operations and thus also for our handling of Data Ethics. On a day-to-day basis the ownership of Data Ethics is anchored with our Senior Leadership Team including Executive Management.

School stationary, from
DKK 10
FSC

A circular economy of materials

Our work with sustainability is founded on the concept of circular economy

Circular economy leads the way to a material-based economy where nothing becomes waste, but is used to feed a new product cycle. Natural materials (everything which grows) will eventually decompose and be used to fertilise new growth, and technical materials (plastic, metals, glass, etc.) will all be recycled into new items.

A crucial factor in this is to make sure that we have a well-functioning, global recycling industry. As a retailer, we can support the development of such an industry very efficiently by sourcing more products made from recycled materials. Realising that the recycling industry will need to focus on for example certain plastic types in order to follow the global demand, we here prefer the most used types of plastic: PET, PP and PE.

The benefit from recycling is manyfold: it reduces the need to harvest new raw materials, saves energy, reduces greenhouse gas emissions, saves money, reduces the amount of waste that ends up in landfills, and allows products to be used to their fullest extent.

In 2021, 12% of our product materials came from recycled sources. Read more in our Sustainability section on pages 32–61.

Drinking bottle.
Stainless steel
DKK 60

Sustain-ability

File organiser
DKK 30

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

When you choose FSC®-certified goods, you support the responsible use of the world's forests, and you help to take care of the animals and people who live in them. Look for the FSC mark on our products and read more at flyingtiger.com/fsc

Our commitment

According to section 99(a) of the Danish Financial Statements Act, we have included this section to report on our approach to corporate responsibility.

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

Our business model means a high degree of control of our value chain from product designs, packaging designs, product materials and testing to the logistic setup and the running of our stores. This also means that our green transition might be complex, but also entirely possible.

Since 2019, Flying Tiger Copenhagen has worked intensively to develop and implement a more circular mindset throughout our company. We want to be the frontrunners in the green transition of the retail industry and do our part to pass on a better globe to future generations. We want to offer affordable products which are good for the environment and ultimately end dependency on virgin fossil materials and fuels.

Our ambitious green transition means that we will reduce our greenhouse gas emissions by around 30% by 2026 and cut the consumption of plastic in our products and our packaging by half by 2025. We will also shift away from single use products by removing half of all single use items in our assortment by 2025.

In 2021, we have taken great strides in our efforts within sustainability. We signed up for and got validated by the Science Based Targets initiative in record speed, ensuring our high ambitions within the climate agenda. The whole company has worked diligently with sustainability targets with great success and sometimes even exceeding expectations.

We will cut the consumption of plastic in our products and our packaging by

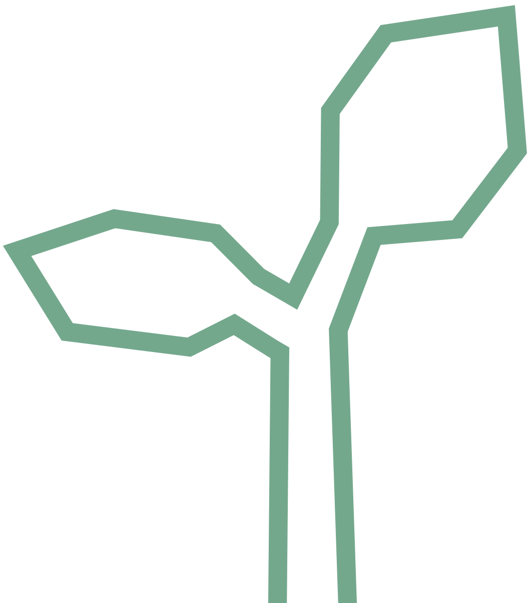
50%

by 2025

We will reduce our total greenhouse gas emissions by around

30%

by 2026



Sustainability in our value chain

Design

We want to offer our customers fun, surprising, and creative eco-friendly choices. To achieve this, we are making sustainability an integral part of how we design our products. We focus on circular materials, design, packaging, and labelling.

Procurement

We are committed to ethical sourcing, capacity building, social responsibility, and environmental management in production. We screen and audit our suppliers and factories and all our products get the required testing.

Distribution

Most of our products are shipped via sea freight, with the remaining being via road freight. We try to push our logistics suppliers to reduce their greenhouse gas emissions and we focus on minimising the use of primary packaging as well as plastic in packaging.

Sales

We market our products responsibly ensuring safety and compliance. Our store concept reflects our work with sustainability. In our own operations: offices, warehouse and stores we focus on CO2 neutral operations and the circularity of materials.

Climate action

Global warming will result in major disruptions on a global scale. It is our obligation to act quickly to decarbonise our value chain and do what we can to mitigate the negative consequences of climate change. It is a license for us to operate and for our customers to buy our products. Global legislation is moving to reflect the realities of climate change and we expect that taxation on greenhouse gas emissions will help underline the business case for a green transition.

Ambitions

Ultimately, we want to end our dependency on virgin fossil materials and fuels. We have signed up to, and been validated by, the Science Based Targets initiative, and we will follow this roadmap to ensure that global warming does not exceed 1.5°C. We believe the ambition to be high, but achievable.

Main partnerships: United Nations Global Compact, Normative and the Science Based Targets initiative

Progress in 2021

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

Our efforts to lower emissions are focused where Flying Tiger Copenhagen has the highest impact. This includes choosing more eco-friendly materials for our products, using less plastic throughout our value chain, sourcing sustainable forestry products, minimising packaging, using more renewable energy in our own operations and minimising food and other product waste via donations.

In 2021 we committed and got approved by the Science Based Target initiative in record speed. It was important for us to ensure that the direction we had taken on climate change years before would prove itself sufficient when validated by experts. In practice these targets mean we will reduce our total greenhouse gas emissions (scopes 1, 2 and 3) by around 30% by 2026.

Our scope 1 emissions are mostly driven by the use of internal vehicles so, we are focussing on transitioning to electric vehicles in this area (see Conscious stores section). We can see some change in our scope 1 emissions with an overall reduction in emissions between 2019 and 2021 being 6%. Given that we have not seen a considerable increase in our usage of electric cars so far, we believe a lot of this change may be associated with reduced travel during the COVID-19 pandemic restrictions. We are satisfied with this area, as we only introduced this target in late 2021.

We support the transition to renewable energy in our own operations. The initial target was to reach 50% renewable energy by 2022, but due to very positive development we have already reached 67% and we have a new science-based target of 84% in 2025. We want to reach 100% renewable energy in our operations however, for this we would need to be able to source renewable energy for our office in Shanghai, which is not possible today.

In our purchased goods and services target, most emissions are associated with our products and packaging materials. The emissions are compared to overall profit to keep it relative to growth. Due to the considerable impact of the COVID-19 pandemic, our profit was negative in 2020 hence the high emissions/profit ratio. Therefore, we have chosen 2019 as a representative base year for our Science Based targets.

We are very happy to see the positive trajectory between 2019 and 2021, with a 5% reduction in emissions. We only developed our Science Based Targets in late 2021 and given the length of our product cycle the impact from this target will truly be seen from 2022.

Regarding our logistics supplier target we can see some big changes. These changes are swayed by a few big suppliers this year who have, for the most part, signed up for the Science Based Targets of their own accord. We believe this shows a hugely positive transition in the industry. If our big suppliers in this category change at any point this could cause considerable fluctuations in our progress but, we will continue to encourage the industry in this direction.

Science Based Targets*

Reduce emissions from our scope 1 by about

30%

by 2026*

Increase sourcing of renewable electricity (scope 2) to 50% by 2022 and

84%

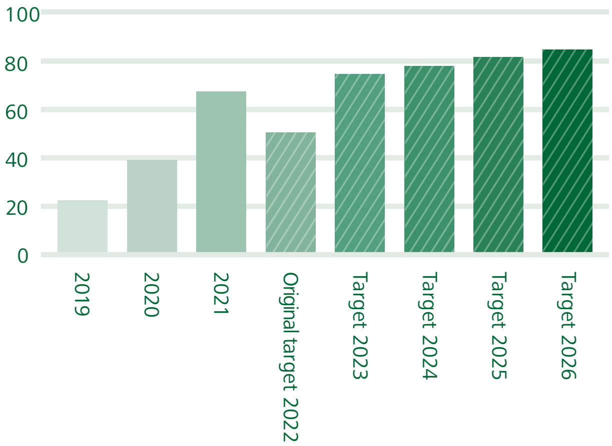
by 2026*

Scope 1 emissions

Kg's of CO2-eq. emissions

This metric is measured as total kilograms of C02 equivalent emissions. Scope 1 emissions cover direct emissions from our operations, such as the burning of fossil fuels for vehicles fleets, combustion engines, the burning of gas, chemical leakage, ect. For Flying Tiger Copenhagen, the main driver of scope 1 emissions are associated with the usage of company owned cars, all logistic emissions are provided by our suppliers so are reported in our scope 3 emissions.

Renewable electricity in own operations, %



Sourcing of renewable electricity is measured as kwh's of electricity consumption covered by renewable electricity/total kwh's of electricity consumption. We classify renewable electricity as from wind, solar, hydro or kinetic sources.

Reduce emissions from purchased goods and services (scope 3) around

40%

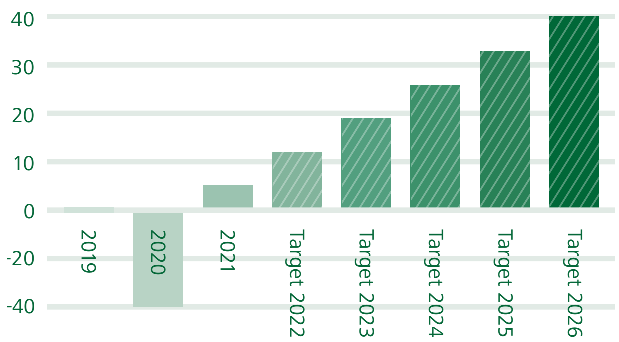
per DKK profit by 2026*

75%

(by spend) of our logistic suppliers covering upstream transportation and distribution, will have science-based targets by 2026*

Greenhouse gas emissions from purchased goods and services (mostly products and packaging)

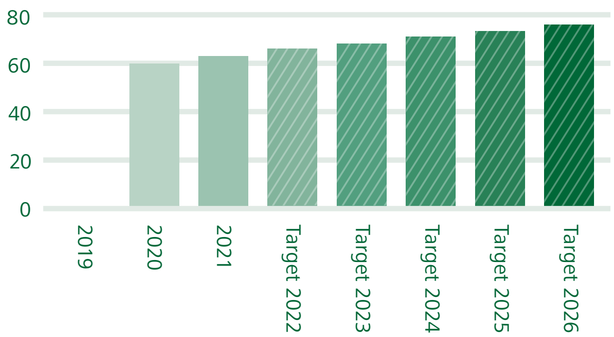
Emissions/gross profit (DKK)



This metric is measured as total kilograms of C02 equivalent emissions/value added (gross profit) in Danish Kroner. At Flying Tiger Copenhagen Purchased goods and services refers mostly to emissions from our products and packaging and a small amount from other purchased goods and services.

Logistic suppliers committed to Science Based Targets initiative, %

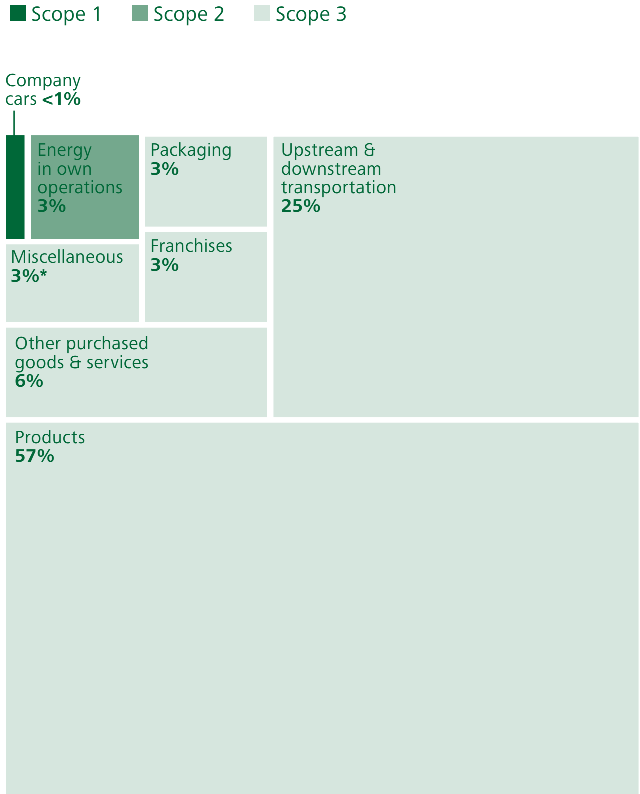
% of Logistics Suppliers with SBT's



This metric is measured as company spend on upstream transportation and distribution suppliers with committed and approved SBT's/company total spend on upstream transportation and distribution suppliers.

*Base year 2019. At Flying Tiger Copenhagen emissions are tracked in alignment with the greenhouse gas protocol corporate standard as well as the greenhouse gas protocol corporate value chain (scope 3) standard. Normative software was used for tracking.

Emissions share per category, %



Total 147m (kg's of C0² equivalent emissions)

At Flying Tiger Copenhagen emissions are tracked in alignment with the greenhouse gas protocol corporate standard as well as the greenhouse gas protocol corporate value chain (scope 3) standard. Normative software was used for tracking. This metric demonstrates the percentage of overall emissions that fall into each operational category.

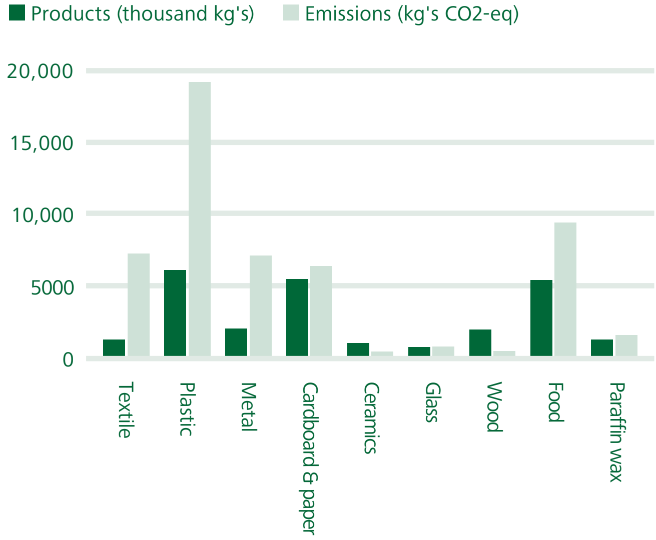
*Miscellaneous covers Fuel and Energy related activities, employee commuting, end-of-life treatment of sold products, waste generated in operations, capital goods and business travel.

Sustainability reporting is not an exact science, but an area under constant development with still more insights being added frequently. We support this improvement and strive to always adjust to the latest insights and to be as transparent as possible.

In 2021:

- Our scope 2 emissions increased as we have added some information on our heating, which originally was believed covered by electricity numbers.
- Our scope 3 data changed, because we changed emission database for a proportion of our data based on spend (from the world-input-output database (WIOD) to the Exiobase).
- We managed to get much more accurate data on our food items, which enabled us to do much more precise calculations in terms of both emission and packaging on this item group.
- Relevant changes were backdated into previous years emission reporting where possible and necessary.

Impact by materials in products



This metric shows product material weight in thousand kilograms and what they represent in thousand kilograms of C02 equivalent emissions.

Further analysis of our emissions in terms of product materials has shown us, that when it comes to lowering the emissions throughout our value chain, it is very important to target our use of both textiles (polyester and cotton being the biggest categories) and plastic. We are working on this both in terms of reductions, but also in terms of using much more recycled materials. Read more in the section on Circular materials. Some items are high in emissions but, relatively good from other angels, for example metals such as aluminium that are endlessly recyclable.

Puzzle. Wood
DKK 50
FSC

Goodbye bottle, hello bag!

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

Eco-friendly products

Being a retail company our impact on the planet is mainly driven by our products. By choosing still more eco-friendly items to offer in our stores, we take better care of global resources, we stay relevant as a company, and stay ahead of the growing amount of environmental legislation.

Ambitions

We want to offer our customers more eco-friendly, useful, fun, and inspiring products at affordable prices. Our customers should be able to clearly identify the eco-friendlier items in our stores, including being able to choose multi-use alternatives to classic single-use products.

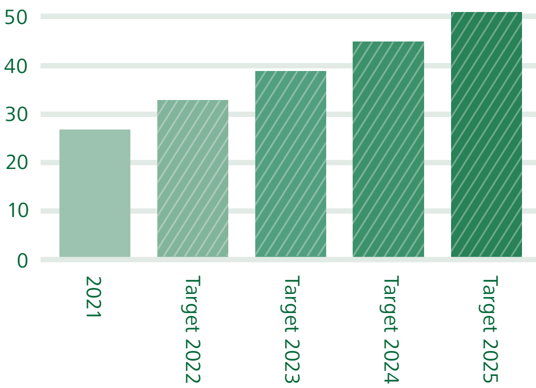
Main partnerships: Forest Stewardship Council, Plastic Change

Targets

To have
50%
eco-friendly products by 2025

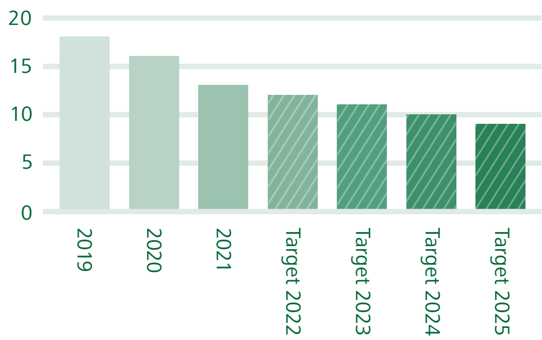
To have a
50%
reduction of single-use products by 2025

Eco-friendly products*
% of total no. of items



This metric is calculated as number of eco-friendly products/number of total products.
*See classification of eco-friendly on page 41.

Single use products
% of total no. of items



This metric is calculated as number of single-use products/number of total products.

Progress in 2021

We want to offer our customers products which are better than the standard selection available when it comes to being conscious of our environment. Because of this we offer eco-friendly products classified as:

- 95% FSC-certified and/or
- Made from recycled material (min. 80%) and/or
- Made from renewable material (min. 95%) and/or
- Made from easily recyclable materials (glass, aluminium, steel, or iron products with content >= 95%) and/or
- A mix of the above (individually assessed by the sustainability department)

Due to the complexity in calculating the number of eco-friendly products, we were first able to gather this data from 2021 and were happy to see that we are already on 26% of our assortment. We have focused specifically on non-food products however, in the future we will consider adding an eco-friendly definition for food as well. We have added the eco-friendly filter to our online stores and are currently investigating how to also visualise this in physical stores. Thereby helping our customers make more eco-friendly choices.

Single-use products are products, which are thrown out after only one use. The environmental impact can be very high considering the short lifespan, which is why we want to halve our number of single use products by 2025, targeting both items with and without plastic. Since 2019, we have reduced the proportion of single-use items by 28%, well ahead our 2025 target.

The single-use items, which we have decided to keep for now are either low impact and/or have no natural replacements; like paper napkins (made from sustainable forestry) and band aid plasters (no natural replacement). We try to make the single use items we do have overall better for the environment. One example is wet wipes, which traditionally are made from plastic-based cloth. We have managed to replace the plastic with bamboo-based cloth from late summer 2022 (made from sustainable forestry), making it an eco-friendlier choice. Another example is to offer alternatives to single use products, like reusable cotton pads for make-up removal. We strive to give our customers the full range of alternatives to single-use products.

Hairbrush. Bamboo
DKK 40

Toothbrush
with bamboo
handle
DKK 10

Reusable cotton
pads
DKK 30

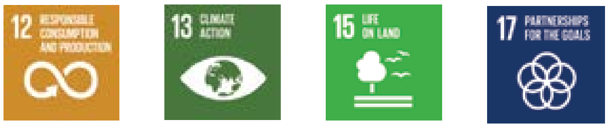
Travel container.
Bamboo and glass
DKK 20

Circular materials

On a global scale the world is overusing on resources and producing far too much waste to handle in a sustainable way. Plastic is a particularly big issue and a shift from virgin fossil oil to renewable or highly recyclable materials is needed.

Ambitions

We want to support the transition towards a circular use of materials, where all products are designed with the goal of eventually becoming raw materials for a new cycle of usage. Renewable materials will often do this simply by decomposing and becoming nutrients for new growth, but for technical materials it is a question of the ability to separate and recycle materials. We also want to address the issues with plastic and are diligently targeting plastic reductions both in products and packaging.



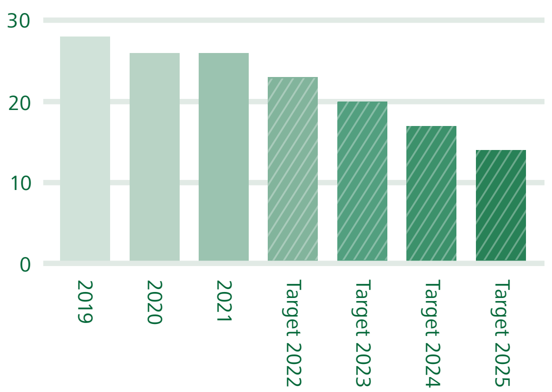
Main partnerships:
Nordic Circular Economy Hotspot, Plastic Change

Targets

To have a
50%
reduction of plastic in products by 2025

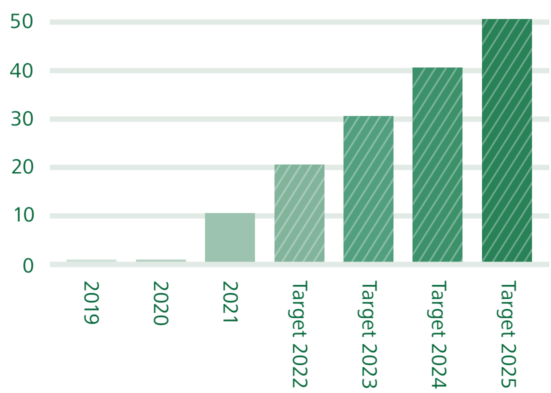
To have
50%
recycled plastic in products by 2025

Plastic in non-food products*, %



This metric is calculated as total kilograms of plastic/total kilograms of all product materials.

Recycled plastic in products, %



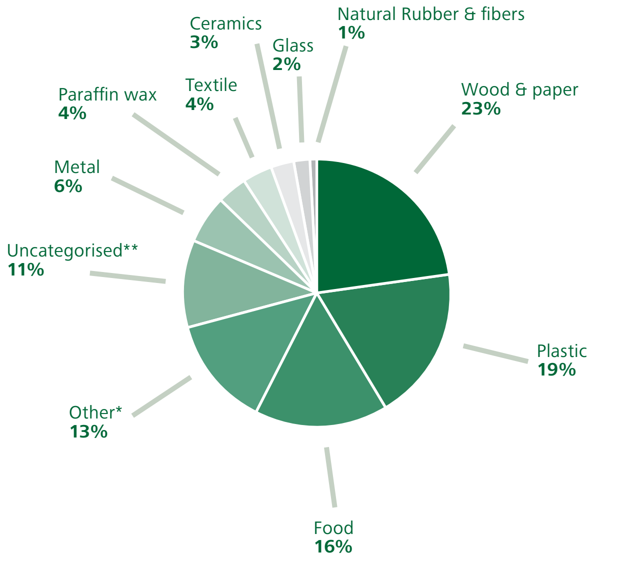
This metric is measured as total kilograms of recycled plastic/total kilograms of all plastic (in products).

*For the proportion of plastic in products we choose to exclude food from this analysis. The food category has fluctuated in size over recent years, and we believe this may sway our analysis. In this table the uncategorised data we have is also assumed to be the same mix of materials as the rest of the products. As a result of these two changes, there will be small discrepancies between the proportion of plastic product materials specified here compared to in the overall product material table (see Products Material Split table). We have presented the proportion of materials that we know to be food and 'uncategorised' in the 'Product Materials Split' table, to ensure full transparency.

Progress in 2021

In 2021, our most used product materials were wood and paper, which together with food made renewable materials our biggest category, followed by fossil fuel-based materials: plastic and paraffin.

Product materials, %



This metric is measured as the proportion of product material weights that falls into each material category.

*The other category contains items such as pigments, colourants and specific materials that do not fit easily into larger material categories.

**Uncategorised data is where we do not have information on the product type, for our greenhouse gas accounting we have used an average emission volume for the weight of the item so, emissions from this category are included in our GHG reporting. We are working to rectify this issue.

Plastic is a versatile material: It is light-weight, durable, and can be used for many different things. However, we want to be clever about how we use it; reducing the amount we use and using a lot more recycled plastic – thereby supporting the overall global reduction and more recycling of plastics. We want to help customers with their recycling of our products by embedding the recycling category into all our plastic products. From 2019 to 2021, we managed to reduce the use of plastic in our products by 7.5%, while at the same time enhancing our use of recycled plastic in products by 10% since last year. We saw the same positive development in our use of recycled textiles (both within polyester and cotton) with a 12% growth since last year. Furthermore, we have strict reduction targets on plastic packaging. Read more in our section on Responsible packaging.

Even though textiles only represent a small amount of product materials in terms of weight when we look at emissions, they form a considerable amount. In terms of textiles, we work to both use more recycled materials and to transition to more use of renewable materials.

Recycled materials in textiles, %

Material	%
Virgin	88
Recycled	12

This metric is measured as the total kilograms of recycled textile materials/total kilograms of all textile materials (in products).

Reusable food wrap
DKK 40

Grater.
Stainless steel
DKK 30

FSC

Jar.
Recycled glass
DKK 20

Mini greenhouse.
Wood
DKK 80

FSC

Material guideline

We use the underneath guideline when choosing materials for new products. The priorities are based on the concept of circular economy, where products will eventually become new raw materials. We have also considered the CO2 footprint and deforestation issues.

1 Use renewable/natural materials: **e.g. wood, paper, straw, bamboo, cotton, wool**

Renewable materials have the possibility to regenerate and bio-degrade to become food for new material cycles.

2 Use highly recycled/recyclable materials: **e.g. glass, metal**

Glass and metal are the worlds most recycled materials. They can theoretically be recycled infinitely without losing their qualities.

3 Use recycled plastics: **preferably PET, PP, PE**

By sourcing recycled plastics, we support the crucial development of the recycling industry and lower the emission used per kg material. Realising that the recycling industry will need to focus on certain plastic types to scale up, we prefer the most used types of plastic.

4 Use virgin plastics: **preferably PET, PP, PE**

We want to use as little plastic as possible, but it is a difficult material to replace. To do our best to support the plastic recycling industry, we prefer the most used types of plastic.

5 Unwanted plastic types: **bio-degradable plastic and bioplastic**

Bioplastic comes from oil from farmland (which in most cases could be used as food) and represents the same problems as any other plastic type. Bio-degradable plastic types will only bio-degrade in very few recycling facilities but will most often, simply disrupt normal plastic recycling systems. Therefore, we have decided not to use either material.

Assorted ceramics,
from **DKK 20**

Healthy forests

Forests keep our climate stable, regulate our water supply and are the homes for more than half of the species on the planet. The largest proportion of materials we use at Flying Tiger Copenhagen come from or have an effect on forestry hence it is important that we ensure healthy and sustainable forestry, which in turn ensures a stable industry of wood and paper products.

Ambitions

All our wood and paper products should come from sources which ensure sustainable forestry in terms of consideration for people, wildlife, environment, and biodiversity. All deforestation risk ingredients like palm oil, cocoa, soy, and coffee should come from sources which ensure no deforestation.

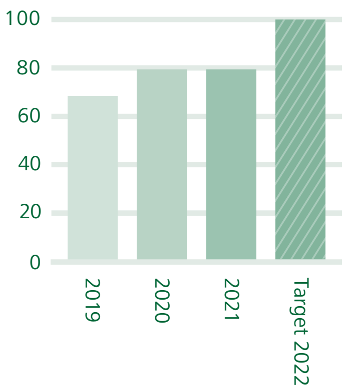
Main partnerships:
Forest Stewardship Council, Roundtable on Sustainable Palm Oil

Progress in 2021

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

Notebooks, gift wrapping, and napkins were an early part of our FSC-certified product portfolio. Today, our customers will almost exclusively find FSC-certified wood and paper products in our stores, When it comes to store furniture, we began to use FSC-certified wood in 2012. Since then, all new store furniture is FSC-certified, while older store furniture will switch to being FSC-certified according to their usual refurbishing cycle.

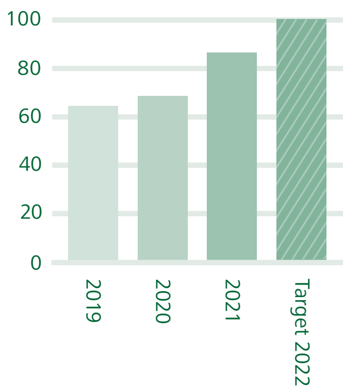
FSC certified paper and wood products*, %



This metric is measured as the total number of FSC certified wood and paper products/the total number of all wood and paper products.

*Defined as items with 10%+ wood/paper-based content

RSPO certified palm oil, %



This metric is measured as the total number of items with certified palm oil/the total number of items containing palm oil.

To have

100%

certified paper and wood products* by end 2022

To have

100%

certified palm oil in food products by end 2022

In 2021, the amount of FSC products was stable from the year before but are confident that there will be a big positive change during 2022. Our focus is now on the items where wood/paper is a smaller and not necessarily an obvious amount, one example being foil balloons where the paper straw used to blow them up should also be certified. We also have a focus on bamboo items, which have not traditionally been in the scope of forestry certifications. In terms of bamboo products, we are already at 70% FSC certified, and are looking to have an ambitious target defined.

Palm oil is a highly versatile oil used for many products in primarily food and beauty on a global scale. However, palm oil is a driver for deforestation. Therefore, we want to only use palm oil sourced in a responsible manner. Since 2019, we have worked to use less palm oil in our products and to only use sustainably certified palm oil in food products. We are on track towards our goal of 100% certified palm oil in 2022 in food products and will include this target for palm oil used in our beauty products.

In 2021 cocoa, soy and coffee were clearly defined as ingredients with a high risk of deforestation in their value chain. We have several chocolate products, and few products containing soy or coffee, therefore, we want to ensure sustainable production in this part of our supply chain as well. For that reason, we are currently setting new targets for products with these ingredients.

Note books,
paper.
DKK 10

FSC

Responsible packaging

Packaging is one of the biggest waste categories worldwide. It often has a short lifespan and a large environmental impact. We need packaging to protect and inform, but going forward, we will use as little material as possible. This is good for the environment, and it mitigates the manifold packaging taxation schemes which are growing on a global scale. Less packaging also shows our customers that we care and helps minimise their local waste handling.

Ambitions

Our focus when it comes to packaging is:

- Use less packaging
- Remove excess/unnecessary plastic
- Make it easy to separate and recycle.

Main partnerships: Plastic Change

Targets

To have a

50%

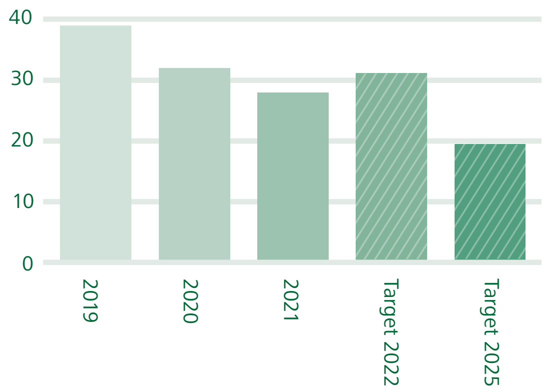
reduction of plastic in packaging by 2025

To have

100%

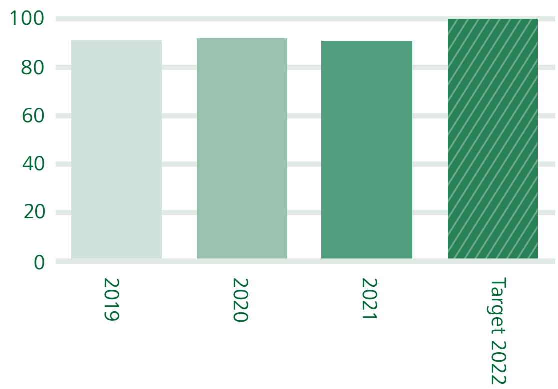
recyclable packaging by 2022

Plastic packaging material, %



This metric is calculated as the total kilograms of plastic packaging material/ total kilograms of all packaging material.

Recyclable packaging, %



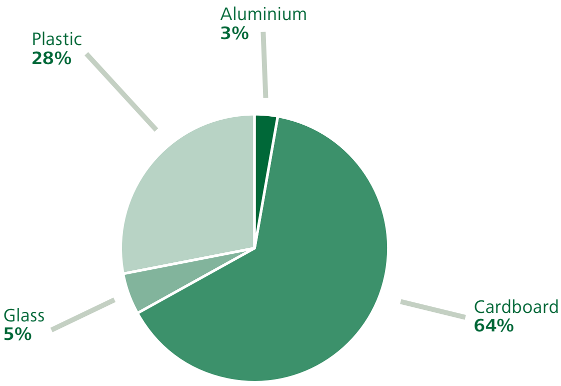
This metric is measured as the total number of products with recyclable packaging/ the total number of products.

Progress in 2021

When it comes to great packaging, less is more. We strive to find the right balance between minimising the packaging, and using better packaging design and materials, while still protecting the products and communicating necessary information to our customers. In 2020, we developed a new primary packaging manual defining both brand and sustainability guidelines around the principles of clear communication, minimal packaging, and optimal recyclability. We want to make it as easy as possible for our customers to recycle packaging, and we have a target to have 100% recyclable packaging in 2022. When packaging materials are monocomponents or easily separated into waste categories, more packaging is ultimately recycled.

From last year we improved the recyclability of our packaging from 92% to 95%. We at the same time managed to include data on the packaging of our food items, which in turn added more unrecyclable packaging to our total, resulting in a decrease in the overall recyclability number to 91%. For some food products, the plastic is lined with metal to better protect the content, which unfortunately means that the packaging cannot be recycled in most parts of the world. This is a future focus area.

Packaging material types, %



This metric is measured as the proportion of total packaging weight that falls into each material category.

Our target to reduce the use of plastic packaging by 20% in 2022 has already been met in 2021 where we managed to reduce 28% since 2019. Therefore, we have set a more ambitious target and we now aim for a 50% plastic packaging reduction for 2025.

Our focus on reducing plastic means that we sometimes use more cardboard, which is heavier overall, thereby growing our logistic emissions. We realise that this might be a negative consequence, but still believe that plastic reductions are the right way forward, and we are happy to see that the percentage of cardboard and paper packaging is growing. However, we have also placed a heavy focus on reducing unnecessary packaging and we can see that our overall average volume of packaging per item has reduced with 16% since last year. We are incredibly proud to see this transition and will continue this focus.

We clearly see that when it comes to both reducing plastic packaging and ensuring 100% recyclability, our food products represent the biggest challenge. Plastic has very good qualities when it comes to food protection and alternative packaging materials are hard to find. But we will continue to look for alternatives and expect to see the global development within packaging beginning to show positive results.

Packaging example

Our plastic packaging reductions are very much a result of many small changes. By scrutinising each packaging for optimisation possibilities, the small changes become very impactful. One example is these very popular mints. The packaging was born with an inner tray of plastic, which has now been assessed as not necessary. By removing this little piece of plastic, we have removed almost four tonnes of plastic annually which is equivalent to the removal of over 12 tonnes of CO2eq emissions on a yearly basis.

Before:
Fresh mints packaging with an inner tray of plastic

Now:
Fresh mints packaging without the inner tray of plastic

Responsible procurement

Through our purchasing decisions we have an impact on social, environmental, and economic conditions in global supply chains. Monitoring and addressing sustainability risks in our supply chain strengthens our stakeholders' trust in our brand and increases our preparedness for rising regulatory attention on due diligence in supply chains.

Ambitions

Our focus on responsible sourcing ensures that we account for the impacts of human and labour rights on workers and communities. Through our social compliance process, we work to ensure that factories, selected for production on our behalf, can meet our requirements, and that the people producing our products are treated with respect and provided with fair and safe working conditions. Most of our direct suppliers are trading companies who source from a range of different factories, enabling us to offer a broad array of novel products across a variety of categories.

Main partnerships:
The Centre for Child Rights and Business (The Centre), Nest

Progress in 2021

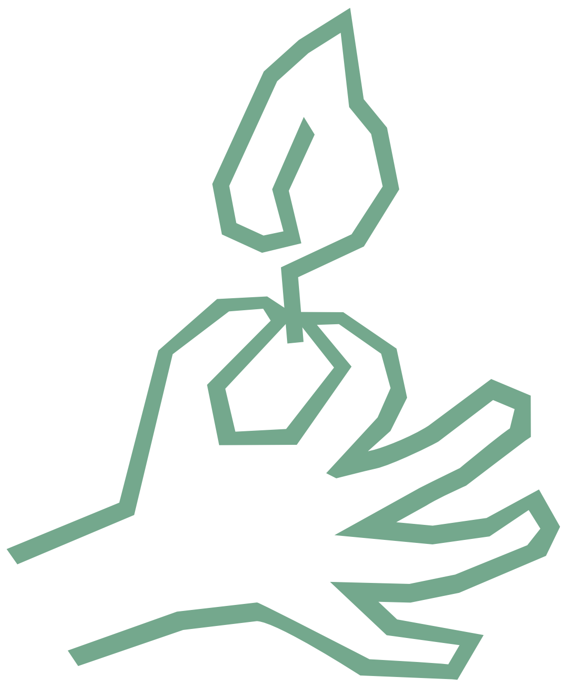
The Flying Tiger Copenhagen Supplier Code of Conduct sets out minimum requirements on responsible business practices for our suppliers (most often trading houses) and sub-suppliers (most often factory production sites), to operate in accordance with responsible business principles and in full compliance with all applicable laws and regulations.

The Code is based on international standards as defined by the United Nations (UN) and the International Labour Organisation (ILO). It defines our requirements in the areas of workplace health and safety, terms of employment, working hours, wages, environmental protection, and business ethics.

Spend in regions, %

Area	% of spend
China	76
Europe	23
Rest of world	1

This metric is measured as the proportion of total Flying Tiger Copenhagen suppliers based in each region.



In our own supply chain, we work through our Responsible Procurement Programme consisting of:

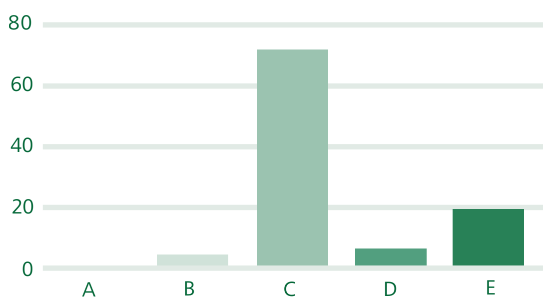
1. **Commitment to the Flying Tiger Copenhagen Supplier Code of Conduct**
2. **Screening and factory audits**
3. **Improvement and remediation**

All new factories are pre-screened before entering our supply chain. Existing factories are selected for audit by assessing the risk based on (a) country of production, (b) purchase volume and (c) product category combined with individual assessment of: (a) brand exposure of product; and (b) audit history and performance of factory, including sub-contracting practices.

We have a zero tolerance for child labour and strict rules for young workers (between 16 and 18 years old). In 2021 we found four cases with seven affected children in China (aged 15). While the existence of child labour is unacceptable, proactively looking for child labour in our supply chain means that we can remediate and change things one case at a time. The remediation process is handled in partnership with the Centre for Child Rights and Business. The Centre are experts in these types of cases, they make sure that every case is handled with respect to the individual child´s circumstances. They engage in dialogue with the family and ensure appropriate measures, like enrolling in vocational schools and monthly living stipends throughout the remediation period.

In 2021, we conducted 283 audits in our factories in China, which was back to our usual level after having been heavily reduced in 2020 due to COVID-19. The most common issues to improve were ensuring a safe and healthy working environment and reducing overtime. Our target for 2022, is to return to our usual number of audits to around 300, and to pursue greater transparency through intensified pre-screening and further capacity building of our suppliers.

Supplier ratings, %



This metric is measured as the proportion of total Flying Tiger Copenhagen suppliers in each rating category.

Supplier training

In 2021, we continued the close engagement with our suppliers. The inability to arrange larger physical conferences or training sessions due to social distancing spurred the creation and implementation of a Supplier Academy in 2020. The Academy now runs frequent sessions on relevant topics within social requirements, sustainability, compliance, procurement, and quality, allowing us to provide training related to more topics and to a broader audience. In 2021 we had 12, one-hour training sessions with an average of 40 suppliers in each. All training sessions are recorded and shared, to new suppliers during their onboarding.

Homeworkers

Recognising that we, continuously buy several products that are potentially handmade by homeworkers in the value chain, we have partnered with the non-profit organisaiton, Nest to better understand and support the entirety of our supply chain. To do this, we have set up a pilot project with Nest, whose overall mission is to support the responsible growth and creative engagement of the artisan & handmaker economy to build a world of greater gender equity and economic inclusion. By engaging in their Ethical Handcraft program specifically, we used the Nest Standards for Homes and Small Workshops to measure compliance outside the four-walled factory against a matrix of over 100 standards that support homeworkers' health, safety, and well-being.

The pilot has shown the distance between the place in the supply chain where we pay for our products (the supplier/trading house) and the homeworker (trading house – factory – middleman – homeworker), which represents complexities in addressing challenges as a single company. Through our work with Nest, we look forward to having improved visibility into the last end of the value chain and the impact our sourcing has on these workers.

Anti-corruption

We are aware that corruption can also be a considerable issue in international supply chains. It limits free and fair methods of acting and limits sustainable development. Our audits are strict in this aspect, and we have a whistle-blower setup, which ensures anonymous reporting if needed. This year we have enhanced our training for employees on the topic and we have also sent further correspondence to suppliers reiterating our zero-gifting policy. In 2022 we plan to further emphasise this policy with our suppliers.

Logistics

Flying Tiger Copenhagen is committed to reducing the environmental impact of our logistics. About 25% of our total carbon footprint originates from the process of transporting products from factory to distribution center to stores thus having a significant impact on our total footprint.

Additionally, we impact the environment through the energy consumption at distribution centers as well as from the waste generated in connection with our transportation and distribution center activity. All our transportation activities are operated by external partners. Of our distribution centers one is operated fully by Flying Tiger Copenhagen. The remaining are all operated by external partners. As we receive products that are "ready for store" in our distribution centers, no rework or postponement activities are done. Subsequently, most of the waste generated in connection with our transportation and distribution activities is dominated by plastic foil wrapping for pallets.

Ambitions

We aim to reduce the emissions from the transportation of our products as much as possible by optimising the flow of our goods and influencing the logistics industry, a huge industry internationally with a considerable environmental footprint, in a positive direction. This will be done by setting high standards regarding our requirements to relevant partners.

Targets

See our section on Climate action.

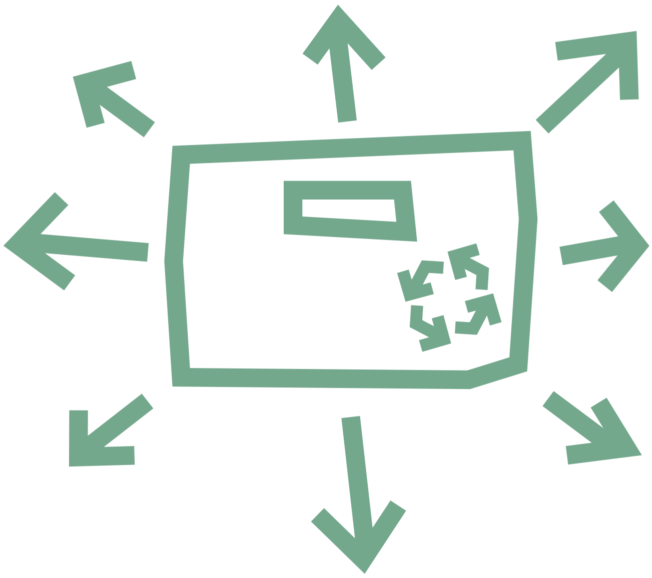
Progress in 2021

In 2021, we initiated the journey to build a more sustainable logistics process. Our priority has been to address the biggest challenge, which is to impact the industry in general. We have, in connection with our own company commitment, decided that we aim to work with logistics companies also committing to the Science Based Targets Initiative (SBTi) and thus sharing our vision of sustainability.

With global operations the logistics process is complicated and dynamic. Despite this, we have set the ambitious target that 75% of our logistics suppliers in the future should be operated by companies committed to the SBTi.

To ensure that we reach this target by 2026, sustainability has been on the agenda for all our logistic tenders. Not only in terms of requirements of commitment to the SBTi, but also for other relevant aspects including standards for reporting. At our own operated distribution center, we had our first full year powered with 100% renewable energy. In addition, all our reach and forklift trucks are now electric.

Within the ecommerce business, we offered ecommerce, eco-friendly packaging from the very beginning and have focused on FSC certified and plastic free packaging. We have also done a lot of marketing related to further usage of the delivery boxes, for example encouraging children to create items such as puppet theatres out of these boxes. Thereby prolonging the packaging lifecycle before it is recycled.



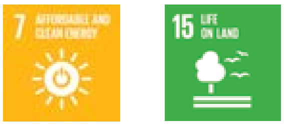

flying tiger
KBH
DK

Conscious stores

When you take away all products from the equation, stores in themselves also have a considerable footprint. The furniture, fixtures, electricity used, marketing material and all the practical items like receipts and wrapping used for fragile goods all have an environmental footprint. At the same time, these elements are also a physical representation of our company with the possibility of demonstrating and enhancing our commitment to sustainability.

Ambitions

We want our stores to reflect our high ambitions and commitment to the sustainability agenda by minimising their footprint as much as possible using circular and responsible materials. As a result, our fixtures and fittings are made from materials of sustainable origin, a minimum of composites and can be completely disassembled and recycled at the end of their lifecycle. Most fixture elements are perfectly reusable for another full lifecycle which benefits both our company and the planet.



Progress in 2021

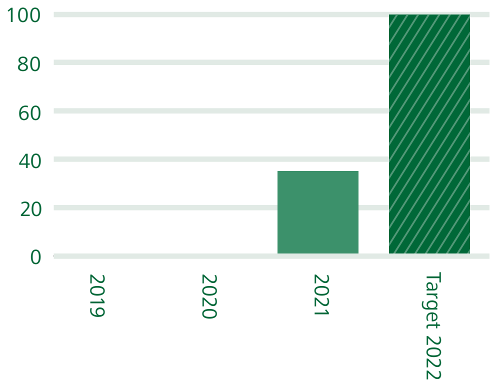
In 2021 our markets continued their journey towards 100% renewable energy in own operations. The result landing on 67%, which we are very satisfied with. We will continue the effort to both reach and exceed our science-based targets within this area.

In terms of marketing material, across the year we have transitioned to 35% eco-friendly marketing material. However, most of the transitions were conducted towards the end of the year and from August 2021 onwards we had 85% eco-friendly marketing material, putting us firmly on track to reach 100% in 2022. In 2021 we also added both receipts and protective wrapping paper to the list of paper items made from sustainable forestry.

We developed our electric cars target in late 2021 and given that most of our company cars are leased based on a 3-year leasing agreement, it is clear that we have not seen much change here. Whenever such an agreement is up for renewal, we include the use of electric cars in the scope. In some countries with long distances, we know that the use of electric cars might represent a problem. But we will keep our 100% target and trust that the development within this area will help us along.

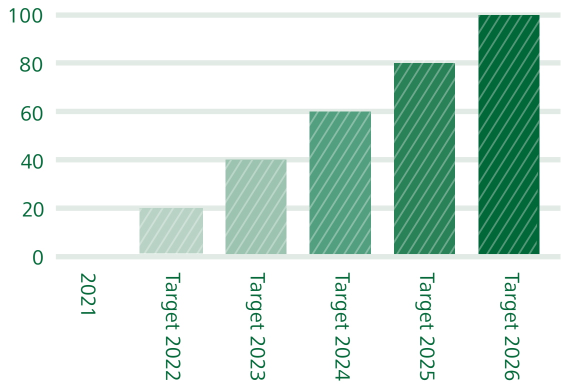
Targets

Eco-friendly marketing material*, %



* Eco-friendly sources refers to responsibly certified, in all cases this is FSC certification. This metric is measured as the number of marketing material items from eco-friendly sources/the total number of marketing material items.

Electric company cars*, %



*This metric is measured as the number of company owned and leased electric cars/the total number of company owned and leased cars.

50% renewable energy in own operations by 2022 and

84%

renewable energy by 2025*

*See section on Climate action

To have

100%

eco-friendly marketing material by 2022

To have

100%

electric company owned and leased cars by 2025

Garden accessories, from **DKK 15**

Green stores

Water based paints

LED lights – **low on emissions** and heat, which also means less air-con

67% of energy in stores come from **renewable sources**

+5 year **refurbishing cycle** for store furniture

35% marketing material made from certified **sustainable forestry**

Recyclable furniture and fixtures made from wood and metal

Cabinets and boxes made from certified **sustainable forestry**

Shopping baskets made from **100%** **recyclable plastic**

Receipts printed on paper from certified **sustainable forestry**

Protective wrapping paper from certified **sustainable forestry**

Shopping bags made from **100%** **recycled and recyclable material**

Cabinets and boxes made in pallet sizes for **optimal transportation**


flying tiger
copenhagen
Tutta
un'altra
luce
5€

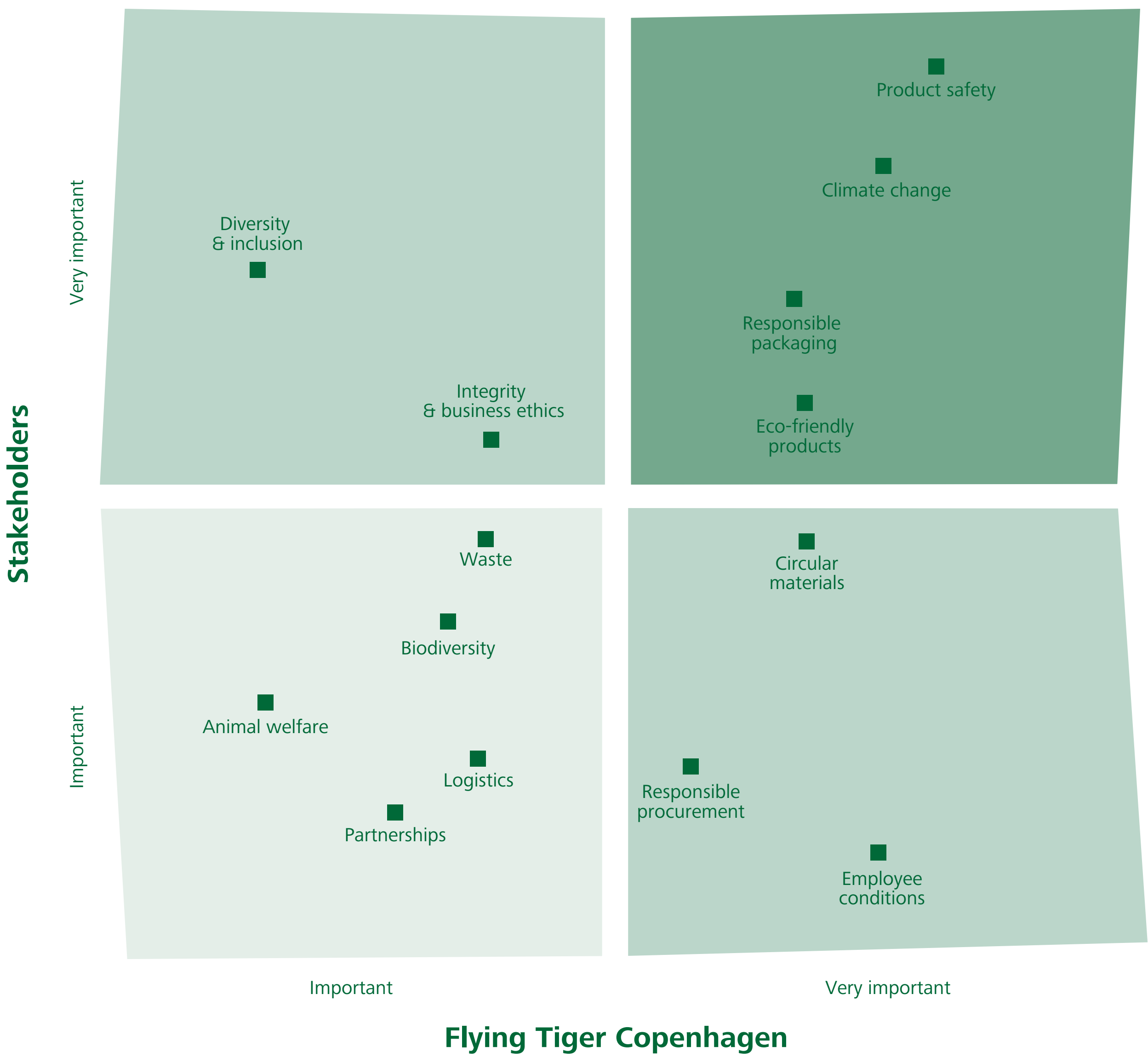
Charity donations

We do our utmost to donate surplus products to people in need. In doing so, we both help disadvantaged families and communities and minimise our environmental footprint. In the following we mention donations done directly from our global operation, but our local markets do many donations and NGO partnerships in addition to this.

We donate unsold food products to Fødevarebanken (Denmark), FareShare (United Kingdom), and Banc Dels Aliments (Spain), thereby minimising food waste across our value chain and making a difference to vulnerable social groups. We also donate food products close to expiration date to WeFood, a Danish supermarket only selling obsolete goods.

In 2021, we have donated products to several NGOs such as In Kind Direct (United Kingdom), Red Cross (Denmark), Dons Solidaires (France) and many more. These organisations further distribute our donations to people in need. As an example, a wide range of charities across the UK have benefitted from our collaboration with In Kind Direct, the majority focusing on child/youth care and family welfare. This has been especially welcomed in a period where COVID-19 put extra pressure on families.

Risk assessment



Summary of targets and progress

SDGs	Climate action	2019	2020	2021	Target 2026	Status	Comment
	Reduce emissions from our scope 1 by about 30% by 2026 Tons of CO2-eq. emissions	385	277	362	270	In progress	6% reduction since 2019. We are satisfied with this as targets were only made late 2021.
	Increase sourcing of renewable electricity (scope 2) to 84% by 2026 %	22%	39%	67%	84%	Ahead of target	
	Reduce emissions from purchased goods and services (scope 3) around 40% per million DKK by 2026 Emissions/gross profit (DKK) Reductions, %	Base year	-40%	5%	40%	In progress	5% reduction since 2019. The financial impact of the COVID-19 pandemic makes 2020 an unrepresentative year.
	75% of logistic suppliers committed to Science Based Targets initiative %	0%	60%	62%	75%	Ahead of target	

SDGs	Eco-friendly products	2019	2020	2021	Target 2025	Status	Comment
	50% eco-friendly products by 2025 %			26%	50%	On target	Data not collected in 2019 and 2020.
	50% reduction of single-use products by 2025 %	18%	16%	13%	9%	Ahead of target	28% reduction since 2019.

SDGs	Circular materials	2019	2020	2021	Target 2025	Status	Comment
	50% reduction of plastic in (non-food) products by 2025 %	28%	26%	26%	14%	In progress	7% reduction since 2019.
	50% recycled plastic in products by 2025 %	0.2%	0.25%	10%	50%	On target	

SDGs	Healthy forests	2019	2020	2021	Target 2022	Status	Comment
	100% certified paper and wood products* by 2022 %	68%	79%	79%	100%	Behind target	*Paper and wood products defined as products with more than 10% wood and paper content.
	100% certified palm oil in food products by 2022 %	64%	68%	86%	100%	On target	

SDGs	Responsible packaging	2019	2020	2021	Target 2022/2025	Status	Comment
	50% reduction of plastic in packaging by 2025 %	39%	32%	28%	19,5%	Ahead of target	28% reduction since 2019.
	100% recyclable packaging by 2022 %	91%	92%	95% (91)%	100%	In progress	In previous years food packaging was not included – this data was added in 2021. If we look at non-food items packaging we are at 95% recyclable.

SDGs	Conscious stores	2019	2020	2021	Target 2022	Status	Comment
	100% eco-friendly marketing material by 2022 %	0%	0%	35%	100%	In progress	From August 2021 onwards 85% of marketing material was eco-friendly.

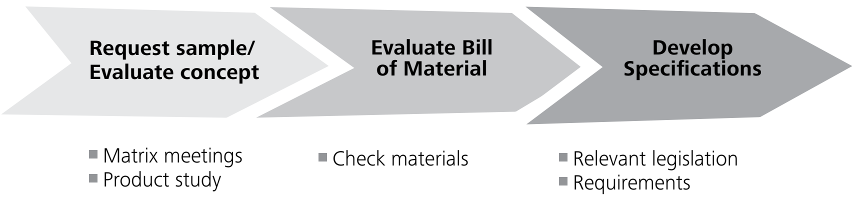
Product compliance

We continuously work to improve and develop our product compliance requirements, which lead to safer products. We do this by cooperating closely with our suppliers thereby helping them understand and implement our requirements.

When we define our requirements, our policy is to comply with either the EU requirements or the applicable national legislation – whichever sets the highest standards.

The way we work in Compliance

During the product development stage, the objective is to ensure that the product meets the given requirements.



First, Product Compliance and the product development teams evaluate and discuss design proposals. Then, follows a product analysis phase of specific product samples, carried out by the compliance team. During the analysis, certain safety issues might be flagged and specific alterations and improvements recommended to ensure that the product's design and safety are satisfactory.

When Product Compliance evaluates product designs, it is done according to legal regulations and standards to ensure that the products live up to the relevant safety requirements.

All products must have an approved BoM (Bill of Material) before the product can continue to the next stage.

The product development stage is complete when a product is approved for production. Following this stage, our test requirements for the product are outlined.

All our products have an approved BoM.

Approved BoMs in 2021 were

6,766

Documentation

The finished product is subjected to a number of tests to ensure its compliance with the relevant legal requirements and standards. The tests are performed by accredited, third-party labs.

Test
- 3rd party lab

Accept delivery
- Approve test reports
- Launch

When the Product Compliance department has received all necessary product documentation and it is approved, a Declaration of Conformity (DoC) is conformed, which confirms that the product conforms to the relevant regulations and standards. Then, the product can be distributed for sale.

Further, the product compliance and quality team monitor the performance of our products while they are on the market. We do this by collecting potential claims and complaints from consumers; staying up to date on the latest requirements, standards and regulations that are relevant for the products; and providing relevant business partners with this information.

Declaration of Conformity
- Collect and evaluate

Register complaints
- Feedback from consumers

Feedback to supplier
- Improvements for next production

All our products are assessed and/or tested.

Tests performed in 2021 were

6,831

Progress in 2021

Throughout 2021, we worked to further strengthen our communication and collaboration with our suppliers while ensuring that they are familiar with our requirements and expectations. One of our goals is to make it clear to them how we assess the products, so that the suppliers know what to test for.

Due to the pandemic, we have not been able to meet with our suppliers; therefore, we participated in several virtual supplier academies. The purpose of these academies is to inform and educate our suppliers of updated regulations, processes, and similar information.

Another important issue that Product Compliance as well as the Packaging department have had to deal with in 2021, is the new EU legislation concerning waste-sorting. We foresee a 2022 with an even greater focus on the legislation pertaining to packaging and labelling.

Targets

Our ultimate target is to ensure that all products are legal and safe to use.

Ambitions

We continue to stay up to date on the developments in the knowledge, requirements and standards that are relevant for all our product categories to ensure that we can manage the increasing complexity of safety regulations and the new ways of doing business.

Darts
DKK 20

Customer & Digital

In 2021, Flying Tiger Copenhagen created a new Customer and Digital team to lay the foundation to build and scale our efforts in reaching and serving more customers globally. In June 2021, we launched a pan-European webstore and set up an ecommerce logistics centre in Poland to better serve our customers online.

Our commitment to reach customers where they are continues to be at the forefront of our strategy. During the year, our ecommerce platform went live across 22 European countries with the ability to serve million of customers. Since launch, we have had over 10 million visits on www.flyingtiger.com.

We are focused on localising the online experience, making it easier for our customers to relate to and experience our brand. And during the year, we continued to accelerate our social engagement through different channels daily with our highly engaged 3 million followers.

Looking into 2022, we will accelerate our efforts to localise our digital customer experience through content, payment options and local currencies. Furthermore, we will use our online business to test and learn new products and use early customer signals to better steer our retail and marketing efforts.

We continue to digitally transform how Flying Tiger Copenhagen reaches new and existing customers with our digital and customer strategy. We are also working to become increasingly more agile in how our teams operate, enabling us to move faster to test and learn new opportunities whenever and wherever they exist. Our digital commitment is helping us transform to deliver even more compelling and seamless customer experiences.


See you at
flyingtiger.com
flying tiger
copenhagen

Dumbbell, from
DKK 60

Building a strong people foundation

Our People ambition at Flying Tiger Copenhagen is to leapfrog the development and value of People in accordance with the Flying Tiger Copenhagen strategy. Build a people foundation to support our strategy by strengthening our people and building on our workplace uniqueness:

- Create One Flying Tiger Copenhagen
- Get the right people on board
- Build competencies, capabilities and attitude in our people to support our strategy
- Leapfrog People tools, systems and use of data

People

Recruiting, retention & development

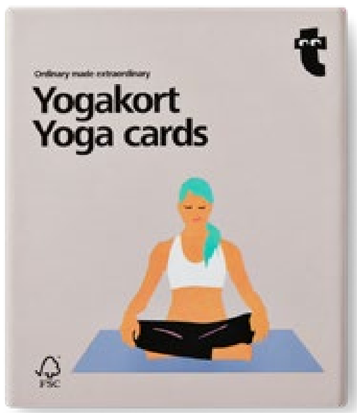
The main purpose for the People team at Flying Tiger Copenhagen is to ensure we have the right people in place to deliver on our strategic targets.

We support the people managers in keeping our employees engaged and motivated. We work hard on getting the right people on board and retain highly qualified employees at all levels throughout the organisation – from store staff and managers to creative and administrative people at head office. We work as business partners with and for our people and we support in building the right competencies, capabilities, and values in our teams to support our strategy and become one strong Flying Tiger Copenhagen across all our markets. We truly recognise that our People is the foundation we build on.

Developing our people

At HQ in Denmark and at the market offices, our Business Partners make up a team of committed HR professionals who in close collaboration with our people managers ensure that they receive the right and ongoing level of support in all people related matters, such as recruitment, performance evaluation, team coaching and employee development. The HR Business Partners and HR Managers work closely with the business and teams to ensure

Yoga cards
DKK 20
FSC



that we deliver on our strategic objectives while our people have a great and meaningful experience working at Flying Tiger Copenhagen.

One of our important assessment and development tools is the annual personal development reviews and talks between manager and employees. In 2021 across our 19 market offices, three out of four had review processes in place for personal development offered to their employees. These more established review processes are seen as an add-on and a framework for the ongoing, daily 1-to-1 talks and open dialogue all people managers are encouraged and expected to have with their team members.

Culture

Flying Tiger Copenhagen is a company with strong values rooted in the Scandinavian culture of openness, fun and relevance, and we put our hearts into everything we do. Our values represent our way of thinking and working – the way we choose to see the world. It is important that the values are with us every single day in everything we do.

Flying Tiger Copenhagen is based on an open culture where we trust each other and value what our colleagues have to offer. We give our colleagues the freedom to get involved, take charge, and give them influence on their own work.

We view cultural diversity as a strength and 2021 has pathed the way for many new colleagues from around the world who have been welcomed into the Flying Tiger Copenhagen team. With more than 20 nationalities at the head office, we all bring a touch of each our cultural uniqueness to the table and are part of making Flying Tiger Copenhagen an international company with an informal culture, where we put an effort in offering our employees a fun, dynamic, and social workplace with a fair number of parties and occasions to celebrate – preferably with cake.

Engagement

Tiger ways of working

In Flying Tiger Copenhagen our doors are always open! It is important for us that all employees feel welcome in our offices and can share ideas and work together. However, we are also aware that working from home can have beneficial influence on our work life balance and the daily assignments. We want to ensure that it is possible to create flexible and attractive working conditions for all colleagues.

During 2021, we did a major remake of our HQ office in Copenhagen to make sure that we support exactly that – teamwork, collaboration, and a hybrid working environment with the flexibility for all to do their best. Post-COVID-19 and based on the learnings the pandemic gave, we have transformed the HQ office to an even more vibrant space where our employees want to come to work, meet colleagues, discuss trends and possibilities, hang out and have fun.

Engagement and well-being

Knowledge is power, and by empowering our people managers with data and insights about the well-being of their teams and the engagement within the organisation, we have a strong foundation for developing a best-in-class, unique retail company.

In 2021, more than 70% of the office teams in our markets ran employee satisfaction surveys providing a strong tool for managers in building feedback culture as well as open and honest communication about being part of Flying Tiger Copenhagen. Some of our markets have chosen to pause the use of employee surveys due to the unprecedented times during COVID-19, but they are expected to be reintroduced along with the normal ways of working.

The pandemic taught us many things about working together in new ways, and at the same time revealed – not surprisingly – that remote working and collaboration, is a challenge for managers as it is more difficult to assess the engagement and well-being of their teams.


Our value #2
Flip the world on its head
Normal is flipping boring.
Our value #3
Fearless
I fail, therefore I am. Without failing, we will not develop. If we do not develop, we die.
Our value #1
Customer
Customer is king, shop is queen and the head office staff are the pawns.
Our value #5
Open doors
In our house there is room for tall and short, slippers and fancy shoes, street wear and suits. We keep the doors open, because it is hard to hear the good ideas when doors are closed.
Our value #4
Heart
If you don't put your heart into what you are doing, then it doesn't matter. We fight indifference.
Our value #6
Cake
We are all humans – and from time to time we all need a cake or a hug.

In 2021 at HQ, we introduced more frequent satisfaction surveys, so managers had real time data to work with and employees gave frequent inputs with higher chance to positively impact the working environment. The last survey in 2021 showed a participation rate of 89% underlining a high engagement in sharing inputs, giving feedback, and developing the work environment.

Diversity and inclusion

Ensuring good working conditions and surroundings is essential to running an effective business. We want our employees to enjoy coming to work. We also recognise that happy employees mean they stay longer with the company.

We aspire to be a business who employs happy and motivated employees with a sense of belonging.

Discrimination is not tolerated. Diverse teams and an inclusive culture give us a competitive advantage and meet our employees' demand for working in a company that values diversity and inclusion.

It is a basic obligation and a core element of our values not to discriminate against our employees. We aspire to create an inclusive culture where all employees have a sense of belonging and contribute to their fullest. In doing this, we are in a prime position to attract people from the widest talent pool and to build a strong business.

Ethics training and awareness

We have enhanced our employee ethics training throughout 2021 and have developed a wider portfolio of training for all employees. This has provided training on numerous elements including what constitutes corruption, such as bribery, conflicts of interest, breaches of competition law, accurate financial reporting, and gifting and hospitality. Therefore, our employees are not only more informed and protected but also very aware of how to act should they encounter any of these situations. If the need arises, our employees are directed towards our whistle-blower setup, which allows confidential reporting of incidents.

Over the recent years, we have strengthened our training on discrimination and harassment, adding further information to both our employee code of ethics while also creating relevant training for all employees to conduct on a regular basis. During 2022, it is our ambition to ensure all employees have partaken in our newly enhanced Ethics training.

The engagement survey tool used at HQ also provides a detection of selected words written in the anonymous comments from employees within harassment and discrimination. This enables management to engage with our employees and immediately take actions if any harassment or discrimination is detected. We have not seen any incidents that required further involvement from the People team.

People facts and employment conditions

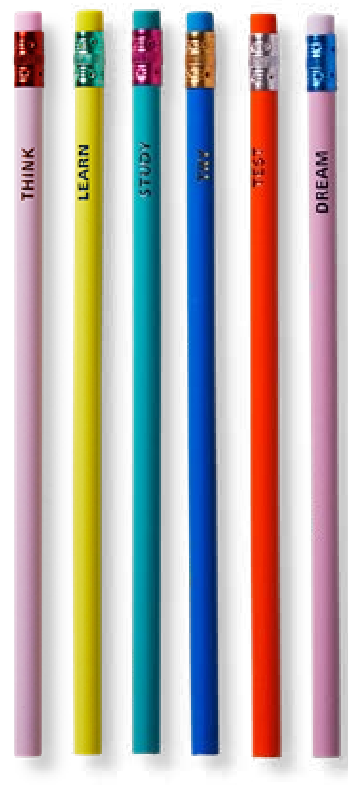
According to section 99(b) of the Danish Financial Statements Act, we have included this section to report on our approach to corporate responsibility.

Flying Tiger Copenhagen consist of 18 market offices: one in Shanghai and the rest in Europe, and a head office in Denmark.

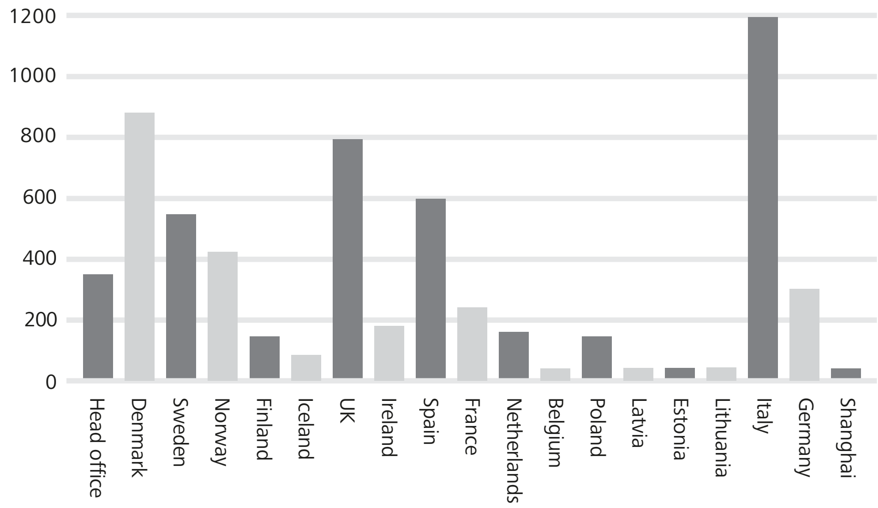
In total Flying Tiger Copenhagen employs more than 6,000 people around the world. More than half of our markets are governed by collective agreements, which all include minimum wage regulations. Half of our markets also provide a health care package for the employees on top of the public health care services that, in most of the markets we operate, are primarily free and with a good coverage.

No matter where you work at Flying Tiger Copenhagen, we offer equal opportunities regardless of gender, ethnicity, race, religion, and sexual orientation. Relevant professional qualifications remain the key selection criteria for all positions in the organisation.

Pencils
DKK 20

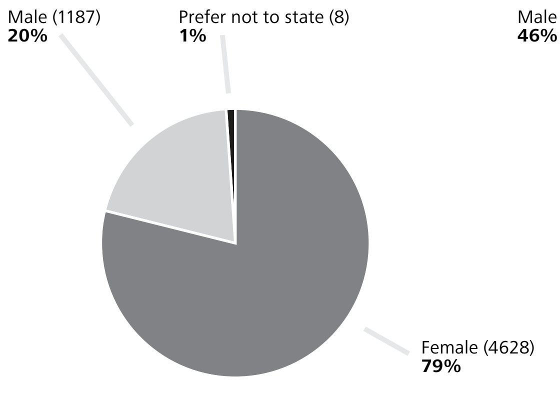


Total headcount (31-12-2021)

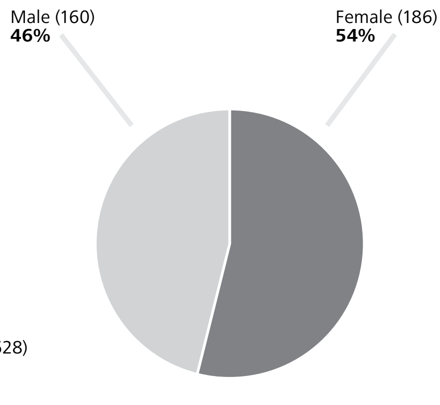


The majority of our employees work at one of our stores as sales assistants, shift or store managers, or at one of our four warehouses. At store level, most of our staff is female whereas men and women are almost equally represented when we look at the people working at the head office in Denmark.

Gender split Retail. Total headcount (31-12-2021)



Gender split Head office. Total headcount (31-12-2021)



The high number of female staff in our stores is also reflected at store management level where approximately 75-80% of store managers across our markets are women.

Flying Tiger Copenhagen aims at a balanced distribution among employees in leadership positions and is currently composed of 56% male and 44% female members. Flying Tiger Copenhagen defines leadership positions as district leaders, country managers, partners as well as managers at headquarter.

Flying Tiger Copenhagen will continue to focus on diversity and to evaluate the need for initiatives within this area. At Board of Directors' level, the ambition is to increase diversity, including gender representation on the Board. At the end of 2021, Flying Tiger Copenhagen's Board of Directors solely consisted of men, but it is the target to have at least one female board member before 2024. In 2021, the Board of Directors changed, and the number of board members was reduced in connection with the change in ownership. Achieving the diversity target will be sought in connection with ongoing changes to the composition of the Board, where special efforts will be made to ensure that female candidates are identified and participate in the selection process.

Retail operations

One of our key focuses is to continuously address our customers' experience in our retail stores and to improve and develop this experience.

Self-checkout

Having conducted a series of tests, we now have proof of concept for a self-checkout solution that is a convenient and efficient development for both our customers and store colleagues. It gives the customers a frictionless journey in-store, eliminating time wasted waiting in line and enabling them to manage the process of self-scanning and paying for their goods in a quick and easy manner. It also delivers greater time efficiencies by freeing up our colleagues from pure checkout assistance to increased focus on value adding activities and customer interactions elsewhere in the store.

In December, we improved our self-checkout solution and successfully launched this in selected stores in the British market. This successful launch paves the way for a wider self-checkout rollout in 2022 in the United Kingdom. Following a period of learning and developing the solution and experience even further, the plan is to further rollout in other markets based on an assessment of the individual market conditions.

MishiPay

In the spring 2021, we deployed MishiPay's mobile self-checkout technology across stores in Denmark, Sweden, and Norway. The MishiPay solution enables our customers to use their own mobile phone to scan barcodes on products to add them to their basket, then pay on their phone using a wide variety of convenient payment methods including Apple Pay, Google Pay, MobilePay, Swish and Vipps. This type of easy payment enables our store teams to focus on activities away from the checkout and frees up time to improve the customer experience in other ways.

Following more than 100,000 transactions and a user rating of more than 4.8 (out of 5), we rolled the technology out to selected stores in the United Kingdom in October. By the end of 2021, more than 195,000 Flying Tiger Copenhagen shoppers had made purchases using MishiPay.

By investing in future technology, we are building a strong digital foundation with new solutions, which enable us to improve the customers' experience and linking our brick-and-mortar and digital business.


12.44
krammeven
soft toy
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Board of Directors

Nikolaj Vejlsgaard (1971)
Chairman, Member since February 2021

Educational background	M.Sc. in Finance from Copenhagen Business School
Experience	Owner & Co-Founder of Treville 20+ years at Axcel, Copenhagen based Private Equity firm Various Board positions

Casper Lykke Pedersen (1974)
Member since February 2021

Educational background	M.Sc. in Finance from Copenhagen Business School
Experience	Owner & Co-Founder of Treville 14+ years at Axcel, Copenhagen based Private Equity firm 4+ years at Deutsche Bank AG, London Various Board positions

Lars Thomassen (1964)
Member since February 2021

Educational background	M.Sc. in Economics from Aarhus Business School
Experience	Owner & Co-Founder of Treville 13+ years at Axcel, Copenhagen based Private Equity firm 7+ years at GN Store Nord 5+ years at ISS Various Board positions

Executive Management

Martin Jermiin (1976)
Chief Executive Officer

Educational background — M.Sc. Applied Economics & Finance, Copenhagen Business School

Previous experience
Partner, McKinsey & Co
CEO, Cembrit Holding
Chief Strategy Officer, TDC
Investment Banking Analyst, Goldman Sachs International

Christian Kofoed H. Jakobsen (1970)
Chief Financial Officer

Educational background
MBA in Strategy, Bradford University, United Kingdom
BA in Finance (HD (F)), Copenhagen Business School

Previous experience
CFO, TOP-TOY A/S
Regional Key Account Director, ISS World Services A/S
Regional CFO, ISS World Services A/S
CEO, Saxo Privatbank A/S
Group Treasurer/SVP, ISS World Services A/S

Annual calendar. A4
DKK 10

Consolidated financial statements

Statement of profit or loss

1 January - 31 December

DKKm	Note	2021	2020
Revenue	2.1	3,812.5	3,472.5
Cost of sales		(1,465.9)	(1,821.5)
Gross profit		**2,346.6**	**1,651.0**
Other external expenses		(472.0)	(515.4)
Staff costs	2.2	(1,132.5)	(1,156.3)
Other operating income	2.5	210.1	132.8
EBITDA before special items		**952.2**	**112.1**
Amortisation, depreciation and impairment losses		(784.4)	(905.0)
Operating profit/(loss) (EBIT) before special items		**167.8**	**(792.9)**
Special items	2.3	98.2	(56.5)
Operating profit/(loss) (EBIT)		**266.0**	**(849.4)**
Share of loss in joint ventures	3.4	(2.8)	(4.6)
Financial income	4.6	1.3	3.8
Financial expenses	4.6	(197.5)	(203.1)
Fair value adjustment of call options	4.4	57.8	(176.5)
Profit/(loss) before tax		**124.8**	**(1,229.8)**
Tax on profit/(loss) for the year	2.4	(16.6)	(186.1)
Profit/(loss) for the year from continuing operations		**108.2**	**(1,415.9)**
Loss for the year from discontinued operations	5.1	-	(126.4)
Profit/(loss) for the year		**108.2**	**(1,542.3)**
Profit/(loss) for the year is attributable to:			
Owners of Zebra A/S		77.8	(1,540.9)
Non-controlling interests		30.4	(1.4)
Profit/(loss) for the year		**108.2**	**(1,542.3)**

Statement of other comprehensive income

1 January - 31 December

DKKm	**Note**	**2021**	**2020**
Profit/(loss) for the year (brought forward)		**108.2**	**(1,542.3)**
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translation of investments in foreign entities		0.9	(7.3)
Exchange rate differences on translation of discontinued investments in foreign entities*		-	9.5
Foreign exchange hedging instruments:			
- Realised in inventories		(2.6)	0.8
- Realised in cost of sales		2.2	9.8
- Realised in financial items		2.5	(0.8)
- Fair value adjustments		55.2	(40.3)
Tax on hedging instruments		(12.6)	6.7
Other comprehensive income		**45.6**	**(21.6)**
Total comprehensive income/(loss) for the year		**153.8**	**(1,563.9)**

*Of which DKK 3.2m are attributable to sale of business and therefore reclassified to the statement of profit or loss in 2020.

Total comprehensive income/(loss) for the year is attributable to:		
Owners of Zebra A/S	122.8	(1,561.2)
Non-controlling interests	31.0	(2.7)
Total	**153.8**	**(1,563.9)**

Total comprehensive income/(loss) for the year attributable to owners of Zebra A/S arises from:		
Continuing operations	153.8	(1,447.0)
Discontinued operations	-	(116.9)
Total	**153.8**	**(1,563.9)**

Balance sheet

31 December

Assets

DKKm	**Note**	**2021**	**2020**
Intangible assets	3.1	229.2	227.4
Right-of-use assets	3.2	1,627.5	1,837.0
Property, plant and equipment	3.3	239.5	301.1
Investment in joint ventures	3.4	7.6	9.1
Deposits		85.2	89.1
Derivative financial instruments	4.3, 4.4	303.4	282.5
Deferred tax	2.4	84.3	82.7
Non-current assets		**2,576.7**	**2,828.9**
Inventories	3.5	610.9	597.5
Income tax receivables		32.6	29.3
Derivative financial instruments	4.3, 4.4	29.4	-
Other receivables	1.2	200.1	38.7
Prepayments		32.6	24.6
Cash and cash equivalents	4.3	634.2	394.0
Assets held for sale	5.1	-	85.5
Current assets		**1,539.8**	**1,169.6**
Assets		**4,116.5**	**3,998.5**

Balance sheet
31 December

Equity and liabilities

DKKm	**Note**	**2021**	**2020**
Share capital	4.1	17.0	572.9
Currency translation reserve		(5.7)	(6.6)
Currency hedging reserve		20.6	(24.1)
Retained earnings		(1,262.5)	(2,001.1)
Capital and reserves attributable to owners of Zebra A/S	4.2	**(1,230.6)**	**(1,458.9)**
Non-controlling interests		-	-
Total equity		**(1,230.6)**	**(1,458.9)**
Provisions for the acquisition of non-controlling interests	4.3, 4.5, 4.7	153.9	155.0
Other provisions	3.6	45.6	42.2
Bank debt	4.3, 4.7	1,861.3	1,778.1
Other loans	4.3, 4.7, 5.3	147.3	20.3
Lease liabilities	3.2, 4.3, 4.7	1,148.5	1,345.7
Deferred considerations	4.3, 4.5, 4.7	50.6	59.0
Deferred tax	2.4	1.1	2.2
Other non-current liabilities	4.3	43.0	39.8
Non-current liabilities		**3,451.3**	**3,442.3**
Provisions for the acquisition of non-controlling interests	4.3, 4.5, 4.7	4.8	17.2
Other provisions	3.6	31.8	11.1
Loans provided by shareholders of non-controlling interests	4.3, 4.7	5.7	7.7
Bank debt	4.3, 4.7	77.6	222.3
Other loans	4.3, 4.7, 5.3	74.7	37.4
Lease liabilities	3.2, 4.3, 4.7	614.8	694.3
Trade payables	4.3	588.6	443.8
Income tax payables	4.3	31.5	10.1
Deferred considerations	4.3, 4.5, 4.7	40.5	63.0
Derivative financial instruments	4.3, 4.4	1.9	41.3
Other payables	3.7, 4.3	423.9	381.4
Liabilities directly associated with the assets held for sale	5.1	-	85.5
Current liabilities		**1,895.8**	**2,015.1**
Liabilities		**5,347.1**	**5,457.4**
Equity and liabilities		**4,116.5**	**3,998.5**

Statement of changes in equity

1 January - 31 December

DKKm	Share capital	Currency translation reserve	Currency hedging reserve	Retained earnings	Attributable to the owners of Zebra A/S	Non-controlling interests	Total equity
2021							
Equity 31.12.2020	**572.9**	**(6.6)**	**(24.1)**	**(2,001.1)**	**(1,458.9)**	**-**	**(1,458.9)**
Effect from 2021 amendment to IFRS 16	-	-	-	(0.2)	(0.2)	-	(0.2)
Equity 01.01.	**572.9**	**(6.6)**	**(24.1)**	**(2,001.3)**	**(1,459.1)**	**-**	**(1,459.1)**
Profit for the year	-	-	-	77.8	77.8	30.4	108.2
Other comprehensive income for the year, net of tax	-	0.3	44.7	-	45.0	0.6	45.6
Transactions with owners:							
Dividend paid to non-controlling interests	-	-	-	-	-	(22.2)	(22.2)
Fair value adjustment of provisions for the acquisition of non-controlling interests, cf. note 4.5	-	-	-	(36.1)	(36.1)	-	(36.1)
Fair value adjustment of purchase consideration for the acquisition of non-controlling interests, cf. note 4.5	-	-	-	0.3	0.3	-	0.3
Fair value of exercised call options, cf. note 4.4	-	-	-	(36.9)	(36.9)	-	(36.9)
Reclassification of the non-controlling interests subject to the put option recognised as a liability	-	0.6	-	8.2	8.8	(8.8)	-
Share capital decrease to cover losses	(572.9)	-	-	572.9	-	-	-
Share capital increase	17.0	-	-	152.6	169.6	-	169.6
Equity 31.12.	**17.0**	**(5.7)**	**20.6**	**(1,262.5)**	**(1,230.6)**	**-**	**(1,230.6)**
2020							
Equity 01.01.	**455.5**	**(8.8)**	**(0.3)**	**(266.3)**	**180.1**	**-**	**180.1**
Loss for the year	-	-	-	(1,540.9)	(1,540.9)	(1.4)	(1,542.3)
Other comprehensive loss for the year, net of tax	-	3.5	(23.8)	-	(20.3)	(1.3)	(21.6)
Transactions with owners:							
Dividend paid to non-controlling interests	-	-	-	-	-	(38.4)	(38.4)
Fair value adjustment of provisions for the acquisition of non-controlling interests, cf. note 4.5	-	-	-	(88.7)	(88.7)	-	(88.7)
Fair value of exercised call options, cf. note 4.4	-	-	-	(96.1)	(96.1)	-	(96.1)
Transactions with non-controlling interests	-	-	-	-	-	(0.7)	(0.7)
Reclassification of the non-controlling interests subject to the put option recognised as a liability	-	(1.3)	-	(40.5)	(41.8)	41.8	-
Share capital increase	117.4	-	-	31.4	148.8	-	148.8
Equity 31.12.	**572.9**	**(6.6)**	**(24.1)**	**(2,001.1)**	**(1,458.9)**	**-**	**(1,458.9)**

Transaction costs of DKK 0.4m (2020: DKK 1.2m) have been recognised in Retained earnings under Share capital increase.

In accordance with IFRS, where non-controlling interests have put options that can be exercised to transfer their present ownership interest to the Parent Company, a liability is recognised corresponding to the redemption amount, and the subsidiaries are fully consolidated, with no recognition of a non-controlling interest at the reporting date. Changes in the value of these liabilities, as well as differences upon settlement, are accounted for directly in equity. At 31 December 2021, the accumulated changes and differences upon settlement amount to DKK -1,063.2m (2020: DKK -1,027.4m) included in equity. With effect from 1 January 2018, the fair value of the call options over the remaining ownership interests is recognised in the balance sheet and fair value adjusted over the statement of profit or loss. Additional details on the impact are provided in note 4.2.

Cash flow statement
1 January - 31 December

DKKm	Note	2021	2020
Operating profit/(loss) (EBIT) before special items from continuing operations		**167.8**	**(750.0)**
Operating loss (EBIT) before special items from discontinued operations		**-**	**(155.9)**
Amortisation, depreciation and impairment losses		784.4	969.4
Special items paid/received		99.5	(41.0)
Working capital changes	3.8	52.5	301.1
Other non-cash adjustments		(55.9)	(34.0)
Interest income received		0.1	0.4
Interest expenses paid		(184.7)	(191.6)
Taxes paid		(13.0)	(17.1)
Cash flows from operating activities		**850.7**	**81.3**
Investment in intangible assets		(44.7)	(26.1)
Investment in right-of-use assets		(7.9)	(4.2)
Sale of right-of-use assets		0.1	0.2
Investment in property, plant and equipment		(41.3)	(37.2)
Sale of property, plant and equipment		0.6	0.4
Sale of business	5.1	-	(5.4)
Deposits paid		(3.4)	(3.4)
Deposits received		7.8	15.0
Cash flows from investing activities		**(88.8)**	**(60.7)**
Free cash flow		**761.9**	**20.6**
Repayment to non-controlling interests		-	(0.1)
Acquisition of non-controlling interests	4.5, 4.7	(79.4)	(47.2)
Share capital increase		169.6	148.8
Proceeds from loans provided by shareholders of non-controlling interests	4.7	-	4.7
Repayment of loans provided by shareholders of non-controlling interests	4.7	(2.0)	(9.2)
Repayment of lease liabilities	4.7	(702.0)	(649.3)
Proceeds from loans and borrowings	4.7	251.4	641.5
Repayment of loans and borrowings	4.7	(152.0)	(77.7)
Dividend paid to non-controlling interests		(22.2)	(38.4)
Cash flows from financing activities		**(536.6)**	**(26.9)**
Increase/(decrease) in cash and cash equivalents		**225.3**	**(6.3)**
Cash and cash equivalents at 1 January		394.0	379.5
Cash and cash equivalents at 1 January discontinued operations		9.3	38.0
Unrealised exchange gains/(losses) included in cash and cash equivalents		5.6	(7.9)
Cash reclassified to discontinued operations		-	(9.3)
Cash and cash equivalents at 31 December		**634.2**	**394.0**

Please see note 5.1 for a specification of cash flows of discontinued operations.
Unutilised credit facilities for the Group amounted to DKK 732.8m at 31 December 2021 (2020: DKK 570.2m).
The cash flow cannot be derived directly from the statement of profit or loss and the balance sheet.

Section 1 Basis of preparation

This section

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

1.1 General accounting policies

The Annual Report for the period 1 January – 31 December 2021 comprises the consolidated financial statements of the Parent Company Zebra A/S and the subsidiaries controlled by the Parent Company (the Group), as well as separate financial statements for the Parent Company Zebra A/S.

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

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

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

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

Accounting policies
The accounting policies, as described below and in the respective notes, have been used consistently for the financial year and are unchanged from last year. However, please see the below section 'Implementation of new or amended standards and interpretations' describing the extended practical relief for COVID-19 related rent concessions.

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

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

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests, and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in the statement of profit or loss. 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 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 statement of profit or loss under financial items.

1.1 General accounting policies (continued)

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

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

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

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

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

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

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

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

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

Implementation of new or amended standards and interpretations
The Group has adopted all the new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2021. The Group has also elected to early adopt the amendment to IFRS 16 `COVID-19-Related Rent Concessions beyond 30 June 2021' with effect from 1 April 2021:

Amendment to IFRS 16 Leases 'COVID-19 Related Rent Concessions beyond 30 June 2021'
In 2020, the Group early adopted COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19. As a practical expedient, a lessee could elect not to assess whether a COVID-19 related rent concession from a lessor was a lease modification and account for the concession as a negative variable lease payment. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In March 2021, a new amendment 'COVID-19-Related Rent Concessions beyond 30 June 2021' was issued, that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The Group has applied the practical expedient to all rent concessions that meet the conditions in the amendments. The Group accounts for the reduction in future lease payments by derecognising the part of the lease liability which has been forgiven and recognising the adjustment in the statement of profit or loss under other external expenses. Depreciation of the right-of-use asset continues over the remaining lease term.

The Group has applied the practical expedient retrospectively to all rent concessions that became eligible for the practical expedient as a result of the March 2021 amendment. The Group has not restated prior period figures, and the difference arising on initial application of the March 2021 amendment has been recognised in the opening balance of retained earnings at 1 January 2021.

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

Standards issued but not yet effective
The IASB has issued several new IFRS standards, amended standards, revised standards and interpretations, which are effective for financial years beginning on or after 1 January 2022. The Group expects to adopt the standards and interpretations as they become effective. The adoption of these standards and amendments is not expected to have a material impact on the consolidated financial statements of the Group in future periods.

1.2 Significant accounting estimates and judgments

The consolidated financial statements have been prepared to give a true and fair view of the Group's assets, liabilities, and financial position as of 31 December 2021, as well as the results of operations and of cash flow. The Executive Management makes various accounting estimates and judgments which affect the consolidated financial statements.

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

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

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

- Consolidation of entities in which the Group holds a 50% ownership interest (cf. below),
- Valuation of deferred tax assets (note 2.4),
- Measurement, revaluation and impairment test of right-of-use assets (note 3.2),
- Write-downs against the carrying amount of inventories (note 3.5),
- Fair value measurement of call options (note 4.4) and
- Provisions for the acquisition of non-controlling interests (note 4.5).

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

Dispute with the Groups freight forwarder
The Groups freight forwarder has since June 2021 charged rates for sea freight in excess of the contractual agreement. The Group has paid the disputed overcharges under protest and has recognised the difference between the amounts paid and the contractually agreed charges as a receivable in the balance sheet. In March 2022, the Group filed a claim against the freight forwarder at the Danish Maritime and Commercial High Court ("Sø- & Handelsretten"), which also includes a claim relating to other disputed incurred costs in relation to non-performance of delivery terms of the freight forwarder.

Abandoned sale process for the German business
During 2021, the Group abandoned the sale process for the German business as it was not possible to close a satisfactory agreement with the potential buyers. The German business is therefore no longer presented under discontinued operations/assets held for sale. In the statement of profit or loss, accounting items relating to the German business are reclassified to the items from which they were originally separated, and comparative figures are restated. The adjustments of the value of non-current assets in the German business are recognised in the line Amortisations, depreciation and impairment losses in the statement of profit or loss in 2021. The comparative figures in the balance sheet have not been restated.

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

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

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

1.3 Going concern

The reported equity is negative at the end of 2021 with DKK 1,231m (2020: DKK 1,459m) for the Group and DKK 526m (2020: DKK 770m) for the Parent Company and thus the registered share capital has been fully lost. Reference is made to the section "Negative reported Equity/ financial position for the Group and the Parent Company" in the 'Operating and financial review 2021" on pages 15–19.

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

Section 2 Results for the year

This section

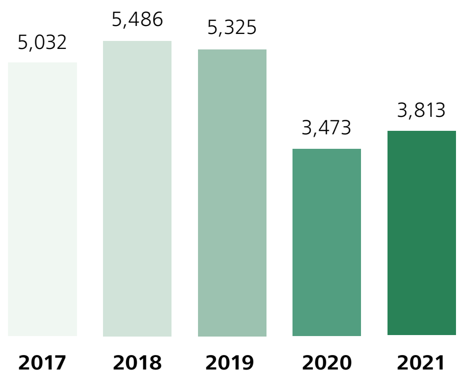
Note 2.1 Revenue
Note 2.2 Staff costs
Note 2.3 Special items
Note 2.4 Income taxes and deferred tax
Note 2.5 Other operating income

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

In 2021, Zebra's revenue was DKK 3,813m, compared to DKK 3,473m in 2020, corresponding to a 10% increase.

The comparable figures for 2020 and 2019 are excluding discontinued operations. However, the comparable figures have been restated to reflect the reclassification from discontinued operations following the abandoned sales process for the German business, cf. note 1.2.

Revenue (DKKm)



Number of countries
27
(2020: 27)

Number of stores incl. Japanese joint venture
858
(2020: 891)

Average number of FTE
3,865
(2020: 4,306)

2.1 Revenue

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

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

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

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

A provision of DKK 0m (2020: DKK 0m) has been recognised for returned goods.

The Group has implemented a franchise setup where the Group sells the same products to franchise partners. Revenue is recognised when control of the products has been transferred to the franchisees. Transfer of control of the products occurs when the products have been delivered to the franchise partner and no further obligation exists that can affect the transfer of control.

Delivery has taken place when the franchise partner has collected the products from one of the Group's central warehouses. Revenue from the sale is recognised based on the price specified in the contract. The price is not adjusted for any financing elements as payment terms never exceed 12 months.

When control has been transferred, a receivable is recognised as the consideration to be paid is conditional only on the passage of time. Except for damage claims, the franchisees have no rights of return.

The below figures include franchise fees and royalties of DKK 1.3m (2020: DKK 0m).

2.1 Revenue (continued)

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

DKKm	2021	2020
Geographical regions		
Northern Europe	802.8	857.7
Central Europe	501.5	466.2
Western Europe	934.7	834.2
Southern Europe	1,546.1	1,308.2
Asia and Middle East	27.4	6.2
Total	**3,812.5**	**3,472.5**

*Comparable figures for 2020 have been restated to reflect the reclassification from discontinued operations following the abandoned sales process, cf. note 1.2.

2.2 Staff costs

Accounting policies

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

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

DKKm	2021	2020
Salaries and wages	922.1	951.9
Pension contributions	48.6	46.3
Other social security costs	134.2	137.3
Other staff costs	32.1	26.7
Total	**1,137.0**	**1,162.2**
Capitalised salaries and wages related to development projects	(4.5)	(5.9)
Recognised in the statement of profit or loss	**1,132.5**	**1,156.3**
Average number of full-time equivalents	**3,865**	**4,306**

*Comparable figures for 2020 have been restated to reflect the reclassification from discontinued operations following the abandoned sales process, cf. note 1.2.

2.2 Staff costs (continued)

DKKm	2021	2020
Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management	10.8	12.4
Total remuneration, Board of Directors	0.2	1.5
Total	**11.0**	**13.9**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages	10.0	12.9
Pensions	1.0	1.0
Total	**11.0**	**13.9**

2.3 Special items

Accounting policies

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

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

DKKm	2021	2020
Transformation program	11.7	53.7
Costs related to the fire on the vessel Maersk Honam	(2.9)	2.8
Insurance compensation	(122.5)	-
Strategic initiatives regarding our global footprint	8.6	-
Change of ownership	3.3	-
Sea freight dispute and other legal costs	3.6	-
Total	**(98.2)**	**56.5**

2.4 Income taxes and deferred tax

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

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

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

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

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

The Executive Management considers it probable that an amount of DKK 83.2m (2020: DKK 80.5m) in tax assets can be offset against positive taxable income within the next five years, while an amount of DKK 470.1m (2020: DKK 495.3m) in tax assets has been impaired at year-end 2021. The impairment tests at year-end 2021 resulted in a profit or loss effect amounting to a gain of DKK 21.6m (2020: DKK -405.7m). The tax asset is impairment tested on a per entity basis, including expected income for the entity for the period 2022 to 2026.

However, the amount of tax assets not shown in the balance sheet can still be carried forward to be offset against future taxable income after the budgeting period. Of the total deferred tax assets recognised, DKK 41.2m (2020: DKK 38.3m) is related to tax loss carry-forwards.

2.4 Income taxes and deferred tax (continued)

Tax costs

DKKm	**2021**	**2020**
Current tax	33.5	2.9
Adjustment to current tax concerning previous years	(3.8)	0.2
Change in deferred tax during the year	(22.6)	177.0
Impact from change in tax rate to deferred tax	4.7	2.4
Adjustment to deferred tax concerning previous years	4.8	3.6
Total	**16.6**	**186.1**

Tax reconciliation

DKKm	**2021**	**2020**
Profit/(loss) before tax	124.8	(1,229.8)
Calculated 22.0% on loss before tax	27.5	(270.6)
Difference in local tax rate compared to the Parent Company's tax rate of 22.0%	2.8	(10.0)
Tax effect from:		
Non-taxable income and non-deductible expenses	1.1	54.8
Impact from change in the tax rates	5.8	2.4
Impact of non-recognised tax losses to be carried forward and value adjustments	(21.6)	405.7
Adjustments concerning previous years	1.0	3.8
Total	**16.6**	**186.1**
Effective tax rate	**13.3%**	**-15.1%**

*Comparable figures for 2020 have been restated to reflect the reclassification from discontinued operations following the abandoned sales process, cf. note 1.2.

Deferred tax

DKKm	**2021**	**2020**
Deferred tax assets	84.3	82.7
Deferred tax liabilities	(1.1)	(2.2)
Total	**83.2**	**80.5**

2.4 Income taxes and deferred tax (continued)

DKKm	Deferred tax 01.01.	Transferred from assets held for sale	Exchange rate adjustment	Recognised in profit or loss	Recognised in profit or loss regarding assets held for sale	Recognised in other comprehen-sive income	Deferred tax 31.12.
2021							
Intangible assets	28.6	-	-	9.2	-	-	37.8
Right-of-use assets	(449.3)	-	-	87.1	-	-	(362.2)
Property, plant and equipment	35.6	-	0.2	(3.8)	-	-	32.0
Inventories	39.4	-	-	(15.1)	-	-	24.3
Lease liabilities	467.4	-	1.0	(100.8)	-	-	367.6
Provisions	(0.5)	-	-	0.4	-	-	(0.1)
Foreign exchange hedging	6.8	-	-	-	-	(12.6)	(5.8)
Tax losses to be carried forward	405.7	(4.8)	2.2	(2.9)	-	-	400.2
Valuation allowances	(495.3)	4.8	(1.2)	21.6	-	-	(470.1)
Interest limitation balance	14.3	-	-	6.7	-	-	21.0
Other	27.8	-	-	10.7	-	-	38.5
Deferred tax	**80.5**	**-**	**2.2**	**13.1**	**-**	**(12.6)**	**83.2**
2020							
Intangible assets	19.3	-	-	9.3	-	-	28.6
Right-of-use assets	(587.8)	-	0.1	165.3	(26.9)	-	(449.3)
Property, plant and equipment	30.6	-	-	5.1	(0.1)	-	35.6
Inventories	49.3	-	-	(9.9)	-	-	39.4
Lease liabilities	609.7	-	-	(174.0)	31.7	-	467.4
Provisions	(0.5)	-	-	-	-	-	(0.5)
Foreign exchange hedging	0.1	-	-	-	-	6.7	6.8
Tax losses to be carried forward	168.6	-	-	202.6	34.5	-	405.7
Valuation allowances	(68.2)	-	0.9	(379.3)	(48.7)	-	(495.3)
Interest limitation balance	7.8	-	-	6.5	-	-	14.3
Other	27.3	-	-	(6.6)	7.1	-	27.8
Deferred tax	**256.2**	**-**	**1.0**	**(181.0)**	**(2.4)**	**6.7**	**80.5**

Unrecognised tax loss carry-forwards amount to DKK 357.3m (2020: DKK 367.3m).

2.5 Other operating income

Accounting policies
Government grants
Other operating income includes government grants. Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. If conditions are attached to the grant, which must be satisfied before the Group is eligible to receive the contribution, the recognition of the grant will be deferred until those conditions are satisfied.

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

COVID-19 Government grants
The Group has received government grants related to the COVID-19 pandemic during 2020 and 2021. The grants are primarily related to staff costs, however, there are also grants related to operational expenses reported in other external expenses.

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

Other operating income

DKKm	**2021**	**2020**
Government grants	195.1	119.1
Other	15.0	13.7
Total	**210.1**	**132.8**

*Comparable figures for 2020 have been restated to reflect the reclassification from discontinued operations following the abandoned sales process, cf. note 1.2.

Section 3 Invested capital and working capital items

This section

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

Net working capital

DKKm	2021	2020
Inventories	611	597
Other receivables	200	39
Prepayments	33	25
Trade payables	(589)	(444)
Other payables	(424)	(381)
Net working capital	**(169)**	**(164)**

Invested capital

DKKm	2021	2020
Intangible assets	229	227
Right-of-use assets	1,627	1,837
Property, plant and equipment	240	301
Investment in joint ventures	8	9
Deposits	85	89
Net working capital	(169)	(164)
Other provisions	(77)	(53)
Derivative financial instruments	28	(41)
Other non-current liabilities	(43)	(40)
Net income tax	1	19
Net deferred tax	83	81
Invested capital	**2,012**	**2,265**

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. Subsequent 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:

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

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

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

Significant accounting estimates and judgments

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

Goodwill

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

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

The estimate of the future free net cash flows is based on budgets and business plans for 2022 and projections for the following years.

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

Pre-tax discount rates of 10.9% (2020: 8.9% - 10.0%) are used to calculate recoverable amounts, representing the weighted average cost of capital. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment tests of goodwill resulted in recognition of an impairment loss of DKK 0m (2020: DKK 0m).

Development projects in progress

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

The carrying amount of development projects in progress is tested annually for impairment. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of estimated future earnings or savings, interest rates and risks. The impairment tests of development projects in progress did not show any need for impairment losses to be recognised in 2021 (2020: DKK 0m).

Other intangible assets with an indefinite useful life

Licenses and software include a carrying amount of DKK 3.6m (2020: DKK 3.7m) related to REACH authorisations, which are considered to have an indefinite useful life.

Other intangible assets with an indefinite useful life are tested annually for impairment. The impairment test is performed on the basis of various factors, including future use of the authorisations. The impairment tests did not show any need for impairment losses to be recognised in 2021 (2020: DKK 0m).

3.1 Intangible assets (continued)

DKKm	Goodwill	Trademarks	Licenses and software	Intangible assets in progress	Total
2021					
Cost 01.01.	12.0	0.8	346.0	20.4	379.2
Exchange rate adjustment	-	-	0.3	-	0.3
Additions	-	-	3.0	-	3.0
Additions, internal development	-	-	0.5	41.2	41.7
Transfer	-	-	32.4	(32.4)	-
Disposals	-	-	(0.3)	-	(0.3)
Cost 31.12.	**12.0**	**0.8**	**381.9**	**29.2**	**423.9**
Amortisation 01.01.	(3.6)	(0.1)	(148.1)	-	(151.8)
Exchange rate adjustment	-	-	(0.1)	-	(0.1)
Amortisation	-	(0.2)	(42.0)	-	(42.2)
Impairment losses	-	-	(0.9)	-	(0.9)
Disposals	-	-	0.3	-	0.3
Amortisation 31.12.	**(3.6)**	**(0.3)**	**(190.8)**	**-**	**(194.7)**
Carrying amount 31.12.	**8.4**	**0.5**	**191.1**	**29.2**	**229.2**
2020					
Cost 01.01.	18.8	0.8	320.1	24.6	364.3
Exchange rate adjustment	-	-	(0.2)	-	(0.2)
Additions	-	-	1.1	-	1.1
Additions, internal development	-	-	-	25.0	25.0
Transfer	-	-	29.2	(29.2)	-
Disposals	(6.8)	-	(3.2)	-	(10.0)
Disposal related to sale of business	-	-	(1.0)	-	(1.0)
Cost 31.12.	**12.0**	**0.8**	**346.0**	**20.4**	**379.2**
Amortisation 01.01.	(4.5)	(0.1)	(113.0)	-	(117.6)
Exchange rate adjustment	-	-	0.2	-	0.2
Amortisation	-	-	(39.0)	-	(39.0)
Impairment losses	-	-	(0.1)	-	(0.1)
Disposals	0.9	-	3.1	-	4.0
Disposal related to sale of business	-	-	0.7	-	0.7
Amortisation 31.12.	**(3.6)**	**(0.1)**	**(148.1)**	**-**	**(151.8)**
Carrying amount 31.12.	**8.4**	**0.7**	**197.9**	**20.4**	**227.4**

Net loss from disposal of intangible assets amounts to DKK 0.0m (2020: DKK 6.0m).

3.2 Right-of-use assets and lease liabilities

Accounting policies
The Group has applied IFRS 16 to lease contracts related to store premises, offices, cars, store furniture and other equipment. The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets and short-term leases (i.e. expiry within 12 months). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

Amendment to IFRS 16 Leases
The Group has adopted the amendment to IFRS 16 Leases regarding COVID-19 related rent concessions issued by IASB in May 2020 as well as the amendment issued in March 2021 extending the practical expedient to apply to reduction in lease payment originally due on or before 30 June 2022. The Group accounts for the reduction in future lease payments by derecognising the part of the lease liability which has been forgiven, and recognising the adjustment in profit or loss as a negative variable lease payment under Other external expenses. Depreciation of the right-of-use asset continues over the remaining lease term.

Significant accounting estimates and judgments
Life of lease
When assessing the life of these leases, the Group considers the options where the Group is reasonably certain to either terminate or extend the contracts based on the profitability level of the store. The lease period varies depending on whether the contract has any termination and extension options. Approximately 70% of the property lease contracts have such options. The average life of lease at balance sheet date was approximately 2.5 years (2020: 2.5 years).

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

The Group has considered the recoverability of the right-of-use assets, for loss making stores and CGU's with low EBIT margins, based on budgets and business plans for 2022 and projections for the following years.

The impairment test of right-of-use assets resulted in a recognition of impairment losses of DKK 22.7m relating to stores in Norway, Sweden, Germany, Czech Republic, Poland, France, United Kingdom, Ireland, Italy, the Netherlands, and Portugal (2020: DKK 23.7m). Prior year impairment losses of DKK 31.3m (2020: DKK 15.9m) have been reversed in 2021 as no impairment indicators existed at year-end for the relevant CGU's due to improved expected profitability.

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

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

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

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

Right-of-use assets

DKKm	Property	Cars	Other equipment	Store furniture	Total
2021					
Carrying amount 31.12.2020	1,830.6	2.4	1.7	2.3	1,837.0
Effect from 2021 amendment to IFRS 16	(23.4)	-	-	-	(23.4)
Carrying amount 01.01.	1,807.2	2.4	1.7	2.3	1,813.6
Transferred from assets held for sale	61.6	0.3	0.1	-	62.0
Exchange rate adjustment	20.6	-	-	-	20.6
Additions	153.7	2.1	-	-	155.8
Adjustment due to remeasurement of lease liabilities	205.8	-	-	-	205.8
Disposals	(1.1)	-	(0.5)	-	(1.6)
Depreciation	(632.0)	(2.5)	(1.2)	(1.6)	(637.3)
Impairment losses	(22.7)	-	-	-	(22.7)
Reversal of prior year impairment losses	31.3	-	-	-	31.3
Carrying amount 31.12.	**1,624.4**	**2.3**	**0.1**	**0.7**	**1,627.5**
2020					
Carrying amount 01.01.	2,383.0	4.3	2.5	5.1	2,394.9
Exchange rate adjustment	(36.8)	-	-	-	(36.8)
Additions	121.3	0.3	0.7	-	122.3
Adjustment due to remeasurement of lease liabilities	17.0	0.1	-	-	17.1
Transfer	18.6	-	-	-	18.6
Disposals	(2.2)	-	-	-	(2.2)
Depreciation	(662.5)	(2.3)	(1.5)	(2.8)	(669.1)
Impairment losses	(23.7)	-	-	-	(23.7)
Reversal of prior year impairment losses	15.9	-	-	-	15.9
Carrying amount 31.12.	**1,830.6**	**2.4**	**1.7**	**2.3**	**1,837.0**

Net loss from disposal of right-of-use assets amounts to DKK 1.1m (2020: DKK 2.0m).

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

Lease liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2021					
Lease liabilities	667.4	1,125.7	89.8	1,882.9	1,763.3
2020					
Lease liabilities	753.5	1,302.3	126.3	2,182.1	2,040.0

	2021	2020
Non-current liabilities	1,148.5	1,345.7
Current liabilities	614.8	694.3
Total	**1,763.3**	**2,040.0**

Amounts recognised in profit or loss

DKKm	2021	2020
Depreciation charge of right-of-use assets	637.3	714.0
Interest expense on lease liabilities (included in finance cost)	68.6	83.6
Expense relating to short-term and low value leases (included in other external expenses)	1.4	1.2
Expense relating to variable lease payments (included in other external expenses)	26.9	16.2
Income from subleasing right-of-use assets (included in other external expenses)	4.0	4.4

*Comparable figures for 2020 have been restated to reflect the reclassification from discontinued operations following the abandoned sales process, cf. note 1.2.

The total cash outflow for leases in 2021 was DKK 798.9m (2020: DKK 750.3m).

At 31 December 2021, the Group is committed to DKK 0.3m for short term and other leases (2020: DKK 4.9m).

The effect from COVID-19 related rent concession in 2021 was DKK 66.2m (2020: DKK 73.1m), which has been included in other external expenses.

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

The impairment test of property, plant and equipment resulted in a recognition of an impairment loss of DKK 7.0m relating to stores in Norway, Sweden, Poland, United Kingdom, Italy and Portugal (2020: DKK 10.2m). Prior year impairment losses of DKK 5.2m (2020: DKK 7.8m) have been reversed in 2021 as no impairment indicators existed at year-end for the relevant CGU's due to improved expected profitability.

3.3 Property, plant and equipment (continued)

DKKm	Leasehold improvements	Store furniture	Other equipment	Assets under construction	Total
2021					
Cost 01.01.	598.1	407.2	171.9	8.0	1,185.2
Transferred from assets held for sale	20.8	48.1	8.6	-	77.5
Exchange rate adjustment	8.3	6.6	1.6	-	16.5
Additions	18.5	6.2	11.1	5.5	41.3
Transfer	0.6	-	7.8	(8.4)	-
Disposals	(39.4)	(25.8)	(11.7)	-	(76.9)
Cost 31.12.	**606.9**	**442.3**	**189.3**	**5.1**	**1,243.6**
Depreciation 01.01.	(401.7)	(347.7)	(134.7)	-	(884.1)
Transferred from assets held for sale	(15.4)	(48.1)	(7.3)	-	(70.8)
Exchange rate adjustment	(6.0)	(6.4)	(1.7)	-	(14.1)
Depreciation	(62.4)	(27.0)	(16.3)	-	(105.7)
Impairment losses	(7.0)	-	-	-	(7.0)
Reversal of prior year impairment losses	3.4	1.4	0.4	-	5.2
Disposals	36.8	24.4	11.2	-	72.4
Depreciation 31.12.	**(452.3)**	**(403.4)**	**(148.4)**	**-**	**(1,004.1)**
Carrying amount 31.12.	**154.6**	**38.9**	**40.9**	**5.1**	**239.5**

3.3 Property, plant and equipment (continued)

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

Net loss from selling or scrapping property, plant and equipment amounts to DKK 4.0m (2020: DKK 7.5m).

3.4 Investment in joint ventures

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

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

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

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

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

The estimated future free net cash flows are based on budget for 2022 with business plans and projections for 2023-2026.

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

A discount rate of 11.8% (2020: 10.9%) is used to calculate recoverable amounts, representing the pre-tax weighted average cost of capital. The discount rate reflects current market assessments of the time value of money and the risks specific to the assets.

Zebra Japan K.K.
The investment in joint ventures has, in 2021 and 2020, consisted of the investment in Zebra Japan K.K., which markets and sells products from Flying Tiger Copenhagen on the Japanese market. Zebra's ownership interest has been 50% in the whole period.

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

The impairment test of the investment in Zebra Japan K.K. did not show any need for impairment losses to be recognised in 2021 (2020: DKK 0m). In the Executive Management's opinion, no probable change in key assumptions mentioned above will cause significant impairment losses.

3.4 Investment in joint ventures (continued)

DKKm	2021	2020
Cost 01.01.	53.1	53.1
Cost 31.12.	**53.1**	**53.1**
Adjustment 01.01.	(44.0)	(41.5)
Exchange rate adjustment	1.3	2.1
Share of loss for the year after tax	(2.8)	(4.6)
Adjustment 31.12.	**(45.5)**	**(44.0)**
Carrying amount 31.12.	**7.6**	**9.1**

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

DKKm	2021	2020
Revenue	253.3	229.0
EBITDA	52.9	53.3
Amortisation and depreciation	(54.3)	(58.9)
Loss for the year	(5.6)	(9.1)
Total comprehensive income	(5.6)	(9.1)
Non-current assets	142.9	143.7
Current assets	124.4	128.6
Non-current liabilities	62.8	69.1
Current liabilities	231.3	225.0
Equity	(26.8)	(21.9)
Net working capital	38.5	34.7
Number of stores	35	31

3.5 Inventories

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

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

Significant accounting estimates and judgments
The value used as 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 to assessing future customer demands and preferences as well as the broader economy.

The reversal of DKK 61.1m in provision for write-downs is driven by products being life-extended and re-introduced in the stores due to global supply chain constraints caused by COVID-19.

At 31 December 2021, the inventory write-downs amount to DKK 61.5m (2020: DKK 129.4m).

DKKm	2021	2020
Finished goods	672.4	726.9
Write-downs	(61.5)	(129.4)
Total inventory continued business	**610.9**	**597.5**
Finished goods	-	7.5
Total inventory reclassified to assets held for sale	**-**	**7.5**
Write-downs 01.01.	(129.4)	(165.3)
Write-downs, during the year	(37.7)	(104.2)
Write-downs, utilised during the year	44.5	110.9
Write-downs, reversed during the year	61.1	29.2
Write-downs 31.12.	**(61.5)**	**(129.4)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 10.3m (2020: DKK 11.5m).

3.6 Other provisions

Accounting policies

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

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

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

DKKm	2021	2020
Provisions 01.01.	53.3	42.3
Exchange rate adjustment, opening balance	1.2	(0.5)
Transferred from assets held for sale	2.8	-
Provisions, during the year	34.4	21.6
Provisions, utilised	(8.5)	(3.1)
Provisions, reversed during the year	(5.8)	(7.0)
Provisions 31.12.	**77.4**	**53.3**
Non-current provisions	45.6	42.2
Current provisions	31.8	11.1
Total	**77.4**	**53.3**

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

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

3.7 Other payables

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

DKKm	2021	2020
VAT and other indirect taxes	146.7	99.6
Employee costs	193.5	197.5
Other	83.7	84.3
Total	**423.9**	**381.4**

3.8 Working capital changes

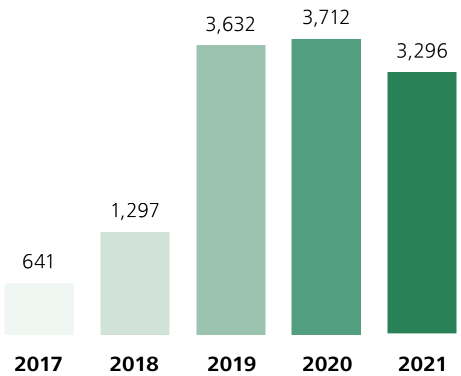
DKKm	2021	2020
Change in inventories	64.9	340.6
Change in other receivables	(160.9)	1.7
Change in prepayments	(6.5)	12.3
Change in trade payables	117.7	(61.3)
Change in other payables	37.3	7.8
Total	**52.5**	**301.1**

Section 4 Capital structure and financing

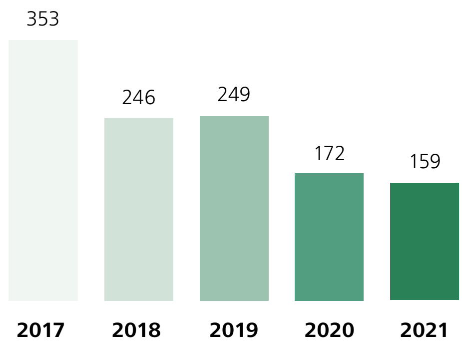
This section

This section provides insights into the Group's capital structure, including financial risk management, provisions for acquisition of non-controlling interests and net financials. IFRS 16 has had an impact of DKK 1,763m (2020: DKK 2,040m) on net interest-bearing debt in 2021.

Net interest-bearing debt (DKKm)



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



4.1 Share capital

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

The shares are ordinary shares and are not issued in any special class of shares.

In February 2021, the share capital was decreased from DKK 572.9m to DKK 0m to cover losses. Following the decrease the shareholders injected capital of DKK 170.0m including share premium (2020: DKK 150.0m).

	DKK '000
Share capital at 1 January 2017	517
Capital increase 2017	5
Capital increase 2018	-
Capital increase 2019	454,958
Capital increase 2020	117,461
Capital decrease to cover losses 2021	(572,941)
Capital increase 2021	17,000
Share capital at 31 December 2021	**17,000**

4.2 Pro forma adjusted equity

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

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

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

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

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

DKKm	**2021**	**2020**	**2019**	**2018**	**2017**
Pro forma equity adjusted for impact from realised or potential acquisition of non-controlling interests					
Pro forma adjusted equity 01.01.	(714.0)	563.7	503.9	819.2	882.3
Total comprehensive income for the year before fair value adjustments of call options, net of tax	95.2	(1,387.4)	(348.9)	(280.6)	(47.9)
Share capital increase	169.6	148.8	480.4	2.7	23.9
Dividend paid to non-controlling interests	(22.2)	(38.4)	(71.7)	(43.5)	(39.1)
Other movements	(0.2)	(0.7)	-	6.1	-
Pro forma adjusted equity 31.12.	**(471.6)**	**(714.0)**	**563.7**	**503.9**	**819.2**
Impact on reported equity from realised or potential acquisition of non-controlling interests					
Fair value of call options, non-current assets	303.4	282.5	555.1	450.2	-
Provision for the acquisition of non-controlling interests, non-current	(153.9)	(155.0)	(204.3)	(245.6)	(343.4)
Provision for the acquisition of non-controlling interests, current	(4.8)	(17.2)	(44.6)	-	(9.1)
Deferred considerations, non-current	(50.6)	(59.0)	-	(7.3)	(120.3)
Deferred considerations, current	(40.5)	(63.0)	(3.8)	(92.6)	(267.5)
Cash flow used for acquisition of non-controlling interests (accumulated)	(812.6)	(733.2)	(686.0)	(587.3)	(299.7)
Accumulated fair value adjustment 31.12.	**(759.0)**	**(744.9)**	**(383.6)**	**(482.6)**	**(1,040.0)**
Reported IFRS equity 31.12.	**(1,230.6)**	**(1,458.9)**	**180.1**	**21.3**	**(220.8)**

4.3 Financial assets and liabilities

Accounting policies

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

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

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

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

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

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

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

Financial assets and liabilities are accounted for at settlement date.

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

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

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2021					
Financial liabilities					
Bank debt	165.6	1,972.5	24.2	2,162.3	1,938.9
Other loans	75.5	22.3	125.0	222.8	222.0
Provisions for the acquisition of non-controlling interests	5.0	184.6	-	189.6	158.7
Loans provided by shareholders of non-controlling interests	5.7	-	-	5.7	5.7
Lease liabilities	667.4	1,125.7	89.8	1,882.9	1,763.3
Deferred considerations	40.5	50.6	-	91.1	91.1
Derivative financial instruments	1.9	-	-	1.9	1.9
Other non-current liabilities	-	42.9	0.1	43.0	43.0
Trade payables	588.6	-	-	588.6	588.6
Income tax payables	31.5	-	-	31.5	31.5
Other payables	423.9	-	-	423.9	423.9
Total	**2,005.6**	**3,398.6**	**239.1**	**5,643.3**	**5,268.6**

4.3 Financial assets and liabilities (continued)

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2020					
Financial liabilities					
Bank debt	307.8	1,913.5	26.8	2,248.1	2,000.4
Other loans	38.2	21.0	-	59.2	57.7
Provisions for the acquisition of non-controlling interests	20.6	185.1	-	205.7	172.2
Loans provided by shareholders of non-controlling interests	7.7	-	-	7.7	7.7
Lease liabilities	753.5	1,302.3	126.3	2,182.1	2,040.0
Deferred considerations	63.0	59.0	-	122.0	122.0
Derivative financial instruments	41.3	-	-	41.3	41.3
Other non-current liabilities	-	-	39.8	39.8	39.8
Trade payables	443.8	-	-	443.8	443.8
Income tax payables	10.1	-	-	10.1	10.1
Other payables	381.4	-	-	381.4	381.4
Total	**2,067.4**	**3,480.9**	**192.9**	**5,741.2**	**5,316.4**

Fair value of financial assets and liabilities is approximately equal to the carrying amount in both 2021 and 2020.

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

The Group's general policy, toward financial risks is to proactively address them in order to mitigate the risk of material impacts to the financial situation of the Group, which could negatively influence operations. It is the Group's policy to not engage in active speculation in financial risks.

4.4 Financial risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

The value of the call option is sensitive to the development of the future expected cash flow in the respective subsidiaries. If the future expected cash flow of all subsidiaries where Zebra A/S holds a call option increases/decreases by 5%, then the value at the balance sheet date will change by DKK +26.4m/DKK -26.4m (2020: DKK +25.8m /DKK -25.8m).

4.4 Financial risk management (continued)

Call options over the remaining ownership interests in certain subsidiaries
The fair value adjustment includes the effect from the change in the estimated present value of the expected cash outflows to purchase the remaining ownerships as well as the change in the market multiples.

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

In 2021, Zebra A/S has exercised the call option for one partnership (2020: 0 partnerships) and Zebra A/S has negotiated a purchase price for an additional partnership (2020: two partnerships).

In 2020 two partnerships also exercised their put options. Accordingly, Zebra A/S reversed the value of the call options for these partnerships. Furthermore, the non-controlling interest of Flying Tiger Korea Chusik Hoesa was sold to the local partner in 2020, and the fair value of the call option was reversed and expensed under discontinued operations.

DKKm	2021	2020
Balance 01.01.	282.5	555.1
Expired call options not exercised	(0.1)	(65.1)
Expired call options not exercised related to discontinued operations	-	(4.5)
Utilisation of call options	(36.9)	(96.1)
Fair value adjustment	57.9	(106.9)
Balance 31.12.	**303.4**	**282.5**

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

Hence, all open foreign exchange contracts at 31 December 2021 have a maturity of less than 1 year.

Forward exchange contracts – USD	1-3 months	4-6 months	7-9 months	10-12 months
2021				
Contract value (DKKm)	461.9	222.6	268.4	114.0
Weighted average hedged rate (USD/DKK)	6.39	6.29	6.32	6.52
2020				
Contract value (DKKm)	282.7	168.7	215.4	116.3
Weighted average hedged rate (USD/DKK)	6.51	6.49	6.24	6.12

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

4.4 Financial risk management (continued)

DKKm	2021	2020
Forward exchange contracts - USD		
Carrying amount included in line item 'Derivative financial instruments' under current assets	29.4	-
Carrying amount included in line item 'Derivative financial instruments' under current liabilities	(1.9)	(41.3)
Net carrying amount	**27.5**	**(41.3)**

DKKm	2021	2020
Cash flow hedge reserve 01.01.	(24.1)	(0.3)
Change in fair value of cash flow hedges recognised in other comprehensive income	55.2	(40.3)
Reclassified to the cost of inventory	(2.6)	0.8
Reclassified to profit or loss	4.7	9.0
Tax on cash flow hedges	(12.6)	6.7
Cash flow hedge reserve 31.12.	**20.6**	**(24.1)**

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

Due to the global COVID-19 pandemic resulting in lock downs in many markets during 2020 and 2021, some purchase orders have been cancelled or postponed resulting in a hedge ineffectiveness in 2021 of DKK 2.5m (2020: DKK 0.8m) which has been reclassified from other comprehensive income to financial Items in profit or loss.

4.4 Financial risk management (continued)

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

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

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

Exchange rate analysis

		2021		2020	
DKKm	**Change in exchange rate**	**Profit/loss before tax**	**Equity**	**Profit/loss before tax**	**Equity**
USD	(10)%	(0.2)	(50.9)	3.3	(34.1)
USD	10%	0.2	50.9	(3.3)	34.1
GBP	(10)%	7.4	9.1	10.7	7.9
GBP	10%	(7.4)	(9.1)	(10.7)	(7.9)
EUR	(1)%	1.6	1.3	0.1	0.7
EUR	1%	(1.6)	(1.3)	(0.1)	(0.7)

The analysis is based on monetary assets and liabilities as of the end of 2021 and 2020. The movements arise from monetary items (cash, borrowings, receivables, payables and hedging instruments) where the functional currency of the entity is different to the currency that the monetary items are denominated in.

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

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

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

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

The sensitivity analysis below has been calculated 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 2021 would have a negative impact of DKK 13.1m on the Group's profit for the year and equity (2020: negative impact of DKK 16.3m). A corresponding decrease in interest levels would have a negative impact of DKK 6.3m on the Group's profit for the year and equity (2020: negative DKK 3.9m).

Liquidity risk
Liquidity risk results from the potential inability of the Group to cover its financial liabilities with cash. Please refer to note 1.3 and 4.3. Group Treasury, responsible for monitoring and mitigating liquidity risk, ensures that adequate liquidity resources are available to the Group. The Group's liquid reserves consist of cash, undrawn committed and uncommitted credit facilities.

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

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. Furthermore, due to received COVID-19 compensations some subsidiaries are restricted from paying declared dividend in the next coming years.

4.4 Financial risk management (continued)

Originally, Zebra A/S had an external credit facility in place totalling DKK 2,050m. In March 2019, the terms of the facilities were amended in connection with an additional equity injection from the owners, subsequently, DKK 225m was amortised in 2019.

As a consequence of the COVID-19 outbreak in 2020, the Group renegotiated the credit facility in connection with an equity contribution of DKK 150m. The credit facility was increased by DKK 500m, which will be amortised over four years.

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

The credit facility is subject to a number of undertakings, financial covenants and other restrictions. Financial covenants consist of a minimum liquidity level, nominal EBITDA level, a leverage cover, and certain capex limitations. Financial covenants are calculated on a last-twelve month basis. Both the EBITDA level and leverage ratio are applicable after 2021. 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. The Group has implemented a franchise setup which in time will expose the Group to higher credit risk, however, the credit risk for 2021 was low.

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

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

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

Fair value measurements using significant unobservable inputs (level 3)
The below table shows the changes in level 3 items for the periods ending 31 December 2021 and 31 December 2020:

DKKm	Provision for the acquisition of non-controlling interests (liability)	Call options over the remaining ownership interests in certain subsidiaries (asset)
2021		
Opening balance 01.01.	172.2	282.5
Expired options	(49.6)	(0.1)
Utilisation	-	(36.9)
Fair value adjustment recognised in equity	34.2	-
Fair value adjustment recognised in profit or loss	-	57.9
Exchange rate adjustment	1.9	-
Closing balance 31.12.	**158.7**	**303.4**
2020		
Opening balance 01.01.	248.9	555.1
Expired options	(165.4)	(69.6)
Utilisation	-	(96.1)
Fair value adjustment recognised in equity	90.8	-
Fair value adjustment recognised in profit or loss	-	(106.9)
Exchange rate adjustment	(2.1)	-
Closing balance 31.12.	**172.2**	**282.5**

4.5 Provisions for the acquisition of non-controlling interests

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

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

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

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

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

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

In accordance with IFRS, the put option over shareholdings held by non-controlling interest is included as a provision in the financial statements as the estimated present value of the expected cash outflows to settle the liability based on projected results and based on the mentioned general assumption on collective exercise at 31 December 2021.

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

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

The discount rate of 14.0% (2020: 13.3%) applied in discounting the expected cash outflows is based on an interest rate that reflects the current market assessment of the time value of money, taking into account the expected settlement of these liabilities, and the risk specific to the non-controlling interest.

DKKm	2021	2020
Balance 01.01.	172.2	248.9
Exchange rate adjustment	1.9	(2.1)
Utilisation of provision to acquire non-controlling interests resulting in a deferred consideration	(32.7)	(122.0)
Utilisation of provision to acquire non-controlling interests paid upfront	(16.9)	(43.4)
Fair value adjustment	34.2	90.8
Balance 31.12.	**158.7**	**172.2**
Non-current provisions for the acquisitions of non-controlling interests	153.9	155.0
Current provisions for the acquisitions of non-controlling interests	4.8	17.2
Total	**158.7**	**172.2**

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

In 2021, Zebra acquired full ownership of four partnerships covering Belgium (Tiger Stores Belgium 2 SPRL), England (Tiger U.K. (Midlands) Ltd.), Greece (Tiger Hellas S.A.) and Cyprus (Tiger Stores Cyprus Limited).

The paid settlements in 2021 relate to acquired ownerships in 2020.

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

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

DKKm	**2021**	**2020**
Deferred considerations 01.01.	122.0	3.8
Additions	32.7	122.0
Settlements paid during the period	(62.5)	(3.8)
Fair value adjustment	(0.3)	-
Exchange rate adjustments	(0.8)	-
Deferred considerations 31.12.	**91.1**	**122.0**
Non-current deferred considerations	50.6	59.0
Current deferred considerations	40.5	63.0
Total	**91.1**	**122.0**

4.6 Net financials

Accounting policies

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

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

DKKm	2021	2020
Financial income		
Interest on financial assets measured at amortised cost	0.1	0.3
Gains on derivative financial instruments not designated as hedges	1.2	3.5
Total	**1.3**	**3.8**
Financial expenses		
Bank charges**	40.8	27.5
Interest on lease liabilities	68.6	83.6
Interest on financial liabilities measured at amortised cost	76.5	80.6
Losses on derivative financial instruments not designated as hedges	3.7	1.7
Exchange rate adjustments, net	5.3	5.2
Other financial expenses	2.6	4.5
Total	**197.5**	**203.1**
Net financials	**(196.2)**	**(199.3)**

*Comparable figures for 2020 have been restated to reflect the reclassification from discontinued operations following the abandoned sales process, cf. note 1.2.

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

4.7 Liabilities arising from financing activities

Accounting policies

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

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

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

DKKm	Liabilities 01.01.	Cash movements	Fair value movements	Other non-cash movements*	Exchange rate adjustment	Transferred to/from liabilities directly associated with the assets held for sale	Liabilities 31.12.
2021							
Financial liabilities							
Loans provided by shareholders of non-controlling interests	7.7	(2.0)	-	-	-	-	5.7
Bank debt	2,000.4	(65.3)	-	4.0	(0.2)	-	1,938.9
Other loans	57.7	164.7	-	-	(0.4)	-	222.0
Lease liabilities	2,040.0	(702.0)	-	319.2	23.4	82.7	1,763.3
Deferred considerations	122.0	(62.5)	(0.3)	32.7	(0.8)	-	91.1
Provision for the acquisition of non-controlling interests	172.2	(16.9)	34.2	(32.7)	1.9	-	158.7
Total	**4,400.0**	**(684.0)**	**33.9**	**323.2**	**23.9**	**82.7**	**4,179.7**
2020							
Financial liabilities							
Loans provided by shareholders of non-controlling interests	18.5	(4.5)	-	(5.4)	(0.9)	-	7.7
Bank debt	1,466.1	527.7	-	9.1	(2.5)	-	2,000.4
Other loans	14.1	36.1	-	6.9	0.6	-	57.7
Lease liabilities	2,513.2	(649.3)	-	27.7	(51.0)	199.4	2,040.0
Deferred considerations	3.8	(3.8)	-	122.0	-	-	122.0
Provision for the acquisition of non-controlling interests	248.9	(43.4)	90.8	(122.0)	(2.1)	-	172.2
Total	**4,264.6**	**(137.2)**	**90.8**	**38.3**	**(55.9)**	**199.4**	**4,400.0**

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

Section 5 Other disclosures

This section

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

The comparable figures for 2020 are excluding discontinued operations.

However, the figures have been restated to reflect the reclassifications from discontinued operations following the abandoned sales process for the German business, cf. note 1.2.

Total number of Group companies
39
(2020: 40)

50% owned companies
13
(2020: 17)

Fully owned companies
26
(2020: 23)

5.1 Assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

If a sale is not completed as expected, the asset or disposal group is reclassified to the items in the balance sheet from which the asset or disposal group was originally separated. This reclassification is made at the lower of the carrying amount at the date of classification as held for sale adjusted for any amortisation and depreciation that would have been recognised had the asset not been classified as held for sale and the fair value less costs to sell. Adjustments to the carrying amount of non-current assets that are no longer classified as assets held for sale are recognised in the statement of profit or loss in the period in which the assets no longer qualify for recognition as held for sale.

If a sale is not completed as expected, the statement of profit or loss is restated for all prior periods presented as had the operations never been classified as discontinuing. The comparative balance sheet figures are not restated.

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

The operations in the United States and Germany
Following a strategic review, the Group decided in 2019 to divest its German and US entities and accordingly initiated a sales process to divest the entities.

As a consequence of the COVID-19 pandemic, the Group was not able to find a solution for the US entities, and has therefore closed all activities in the US in December 2020.

5.1 Assets held for sale and discontinued operations (continued)

During 2021, the Group abandoned the sale process for the German business as it was not possible to close an agreement with the potential buyers. The German business is therefore no longer presented under discontinued operations/assets held for sale. In the statement of profit or loss, accounting items relating to the German business are reclassified to the items from which they were originally separated and comparative figures are restated. The adjustments of the value of non-current assets in the German business are recognised in the line Amortisations, depreciation and impairment losses in the statement of profit or loss in 2021. The comparative figures in the balance sheet have not been restated.

The impairment test of assets held for sale in 2020 resulted in an impairment loss of DKK 0m. The impairment loss was recognised on profit or loss under the line item Loss for the year from discontinued operations.

Sale of business

In July 2020, the Korean company Flying Tiger Korea Chusik Hoesa was sold to the Korean partner who owned 50%. The sales price was 1 EUR and the sale was finalised 21 July 2020. The sale resulted in a loss of DKK 29.5m and a negative effect in cash flow of DKK 5.4m.

Assets held for sale

DKKm	2020
Assets classified as held for sale	
Right-of-use assets	61.7
Property, plant and equipment	6.4
Inventories	7.5
Other receivables	0.3
Prepayments	0.3
Cash and cash equivalents	9.3
Total assets of disposal group held for sale	**85.5**
Liabilities directly associated with assets classified as held for sale	
Other provisions	2.8
Lease liabilities	82.7
Total liabilities of disposal group held for sale	**85.5**

5.1 Assets held for sale and discontinued operations (continued)

Discontinued operations

DKKm	2020
Revenue	69.7
Cost of sales	(38.3)
Gross profit	**31.4**
Other external expenses	(35.2)
Staff costs	(45.0)
Other operating income	0.2
EBITDA before special items	**(48.6)**
Amortisation, depreciation and impairment losses	(34.4)
Operating loss (EBIT) before special items	**(83.0)**
Special items	(0.9)
Operating loss (EBIT)	**(83.9)**
Financial income	0.1
Financial expenses	(11.2)
Loss from sale of net assets	(21.8)
Loss before tax	**(116.8)**
Tax loss for the year	(9.6)
Loss after tax	**(126.4)**
Impairment loss	-
Loss for the year from discontinued operations	**(126.4)**
Exchange differences on translation of discontinued operations	9.5
Other comprehensive income from discontinued operations	**(116.9)**

Cash flow

Net cash flows from operating activities	(25.7)
Net cash flows from investing activities	(1.7)
Net cash flows from financing activities	(23.6)
Net increase in cash flow generated by discontinued operations	**(51.0)**

5.1 Assets held for sale and discontinued operations (continued)

Sale of business

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

5.2 Fees to statutory auditor

DKKm	2021	2020
EY		
Statutory audit of financial statements	5.8	7.3
Other assurance engagements	0.6	0.4
Tax advisory services	0.7	0.3
Other services	0.4	0.9
Total	**7.5**	**8.9**

5.3 Related parties

Related parties exercising control
Until 10 February 2021, Zebra A/S was subject to the controlling influence of Zebra Lux Holding S.à.r.l., 23 rue Aldringen, L-1118, Luxembourg, which held 93.2% of the share capital.

On 10 February 2021, the share capital was reduced from DKK 572.9m to DKK 0m to cover losses. Following the reduction, Zebra Lux Holding S.à.r.l. injected new capital amounting to DKK 170.0m, including share premium, into Zebra A/S. On the same date, 100% of the share capital was sold to Treville X Holding ApS.

As part of the sales transaction, Zebra Lux Holding S.à.r.l. settled a short-term bank loan of DKK 125.0m and Treville X Holding ApS took over the claim against Zebra A/S. The loan is unsecured and does not carry any interests or instalments. The loan is included in Other loans in the balance sheet.

As of 31 December 2021, Zebra A/S is subject to controlling influence of Treville X Holding ApS, c/o Treville & Co. A/S, Kongens Nytorv 22, 4., 1050 Copenhagen K, which holds 95% of the share capital.

Zebra A/S has registered the following shareholders who hold 5% or more of the share capital:

- Treville X Holding ApS, c/o Treville & Co. A/S, Kongens Nytorv 22, 4., 1050 Copenhagen K
- FTC ManCo Aps, c/o Treville & Co. A/S, Kongens Nytorv 22, 4., 1050 Copenhagen K

The ultimate parent of the Group is Treville X Partners ApS, c/o Treville & Co. A/S, Kongens Nytorv 22, 4., 1050 Copenhagen K.

Balances and transactions between Zebra A/S and it's subsidiaries, which are related parties of Zebra A/S, have been eliminated during 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, as well as their close relatives. Related parties also include companies in which these individuals have material interest, including the shareholder companies of Zebra A/S.

Other than the transactions and remuneration as set out in note 2.2, there has been no trading with members of the Executive Management, the Board of Directors nor their close relatives.

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

During the year, the Group received royalty and service fees in the amount of DKK 12.6m from the joint venture company (2020: DKK 11.4m), and sold goods amounting to DKK 66.5m (2020: DKK 50.8m) to the joint venture company.

As of 31 December 2021, the joint venture company owed the Group DKK 5.8m (2020: DKK 1.9m). All outstanding amounts are unsecured and will be settled in cash.

The Group has provided a guarantee to Zebra Japan K.K.'s bank which amounts to a maximum of DKK 82.7m (2020: DKK 85.2m). On 31 December 2021, the guaranteed amount constituted DKK 82.7m (2020: DKK 85.2m).

5.4 Guarantee commitments and contingent liabilities

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

Other guarantees
The Group has provided a guarantee to the joint venture Zebra Japan K.K.'s bank, which amounts to a maximum of DKK 82.7m (2020: DKK 85.2m). On 31 December 2021, the guaranteed amount constituted DKK 82.7m (2020: DKK 85.2m).

Contractual obligation
Contractual obligations related to service contracts amounted to DKK 49.5m (2020: DKK 68.8m). Aside from liabilities recognised in the balance sheet, no significant losses are expected to incur as a result of contractual obligations.

Pledged assets
A letter of indemnity (company charge) of nominal DKK 30.0m (2020: DKK 30.0m) has been deposited by the Group as security for the Group's bank debt.

Bank debt is secured by a mortgage of nominal DKK 25.0m deposited by the Group on assets, including the Group's goodwill, leasehold rights, furniture including store furniture (2020: DKK 25.0m).

The foreign-owned entities' bank debt is secured by mortgages on their movable equipment and inventory of a total nominal amount of DKK 24.3m (2020: DKK 51.1m).

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

DKKm	2021	2020
Pledged assets		
Goodwill	5.0	5.0
Leasehold rights included in right-of-use assets	5.7	5.9
Trademarks	0.5	0.5
Leasehold improvements	24.0	38.8
Store furniture	3.8	12.2
Other equipment	23.5	17.5
Other deposits	0.5	-
Inventories	415.8	421.3
Other receivables	34.5	6.3
Total	**513.3**	**507.5**

Total value of liabilities requiring pledges to third parties as of 31 December 2021 amounted to DKK 75.5m

5.5 Events after the balance sheet date

1 March 2022, the Group initiated legal proceedings before the Danish Maritime and Commercial High Court ("Sø- and Handelsretten") against the Group's freight forwarder. The Group disputes the rates charged compared to the contractually agreed rates. Furthermore, the Group claims breach of contractual capacity guarantee.

5.6 List of group companies

Investments in group companies comprise the following at 31 December 2021.

Name	Home	Year of establishment	Ownership interest
Tiger Ísland ehf.	Reykjavík, Iceland	2001	100%
Tiger Retail Ltd.	London, England	2005	100%
Tiger Deutschland GmbH	Flensburg, Germany	2007	100%
Tiger Stores Nederland B.V.	Amsterdam, the Netherlands	2008	100%
Tiger Stores Spain, S.L.	Madrid, Spain	2008	100%
TZ-shops South Sweden AB	Malmö, Sweden	2008	100%
SIA Tiger Shop	Riga, Latvia	2009	100%
UAB Tiger Shop	Vilnius, Lithuania	2010	100%
Tiger Hellas S.A.	Thessaloniki, Greece	2010	100%
Tiger Italia 1, S.r.l.	Turin, Italy	2011	100%
Tiger Warsaw Sp. Z.o.o.	Warszawa, Poland	2011	100%
Tiger Retail Ireland Ltd.	Dublin, Ireland	2011	100%
TGR Norge AS	Oslo, Norway	2011	100%
Tiger Stores OY	Espoo, Finland	2011	100%
Zebra Japan K.K.	Tokyo, Japan	2011	50%
TGR Stores (NI) Ltd.	Omagh, Northern Ireland	2012	100%
Tiger Portugal S.A.	Charneca de Caparica, Portugal	2012	50%
Tiger Canarias, S.L.	Las Palmas, Spain	2013	50%
Tiger South Spain, S.L.	Malaga, Spain	2013	50%
Tiger Stores North West Spain, S.L.	La Coruña, Spain	2013	50%
Tiger U.K. (Midlands) Ltd.	Glostershire, England	2013	100%
Tiger Stores Belgium, BVBA	Antwerp, Belgium	2013	50%
Tiger Stores Austria GmbH	Wien, Austria	2014	50%
Tiger Stores Belgium 2 SPRL	Namur, Belgium	2014	100%
Tiger Stores Cyprus Limited	Nicosia, Cyprus	2014	100%
Tiger Czech Republic s.r.o.	Prague, Czech Republic	2014	50%
Tiger Stores OU Estonia	Tallinn, Estonia	2014	100%
Tiger Stores Spain 5, S.L.	Bilbao, Spain	2014	50%
Tiger Stores France SAS	Nice, France	2014	100%
Tiger Stores France 2 SAS	Paris, France	2014	100%
Tiger Stores France 4 SAS	Paris, France	2014	100%
Tiger Stores Slovakia S.R.O.	Bratislava, Slovakia	2014	50%
Tiger North Ltd.	Birmingham, England	2015	100%
Tiger Stores Hungary Zrt.	Budapest, Hungary	2015	50%
Tiger Stores (Malta) Limited	Valletta, Malta	2015	50%
Tiger Stores (Switzerland AG)	Luzern, Switzerland	2016	50%
Zebra Trading (Shanghai) Co., Ltd	Shanghai, China	2017	100%
Zebra Canada Retail Holding Inc	New Brunswick, Canada	2018	100%
Digital Flying Tiger Copenhagen A/S	Copenhagen, Denmark	2021	100%

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

Definition of key figures and ratios

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

Gross margin = $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

EBITDA margin before special items = $\frac{\text{EBITDA before special items}}{\text{Revenue}}$

Net interest-bearing debt = Bank debt + Other loans + Loans provided by shareholders of non-controlling interests + Lease liabilities - Cash and cash equivalents

Leverage = $\frac{\text{Net interest-bearing debt}}{\text{EBITDA before special items}}$

Adjusted profit/(loss) for the year = Profit/(loss) for the year adjusted for extraordinary write-downs and scrappings, special items after tax, fair value adjustment of call options, impact of IFRS 16 and discontinued operations

Adjusted profit/(loss) margin = $\frac{\text{Adjusted profit/(loss) for the year}}{\text{Revenue}}$

Comparable store sales growth

- *Comparable store sales include the following:*
  - Stores open for at least 18 full months at the reporting date.
  - Stores that have been expanded but not changed significantly in size.
  - Stores that are relocated but remain within the same trade area, and are not changed significantly in size.
- *Comparable store sales exclude the following:*
  - If a store is closed for refurbishment, it is excluded in the months during which the store is closed plus one full calendar month following reopening.
- *Comparable store sales growth excludes foreign currency translation effects.*

Financial statements – Parent Company

Statement of profit or loss – Parent Company

1 January - 31 December

DKKm	Note	2021	2020
Revenue	2.1	1,814.4	1,355.4
Cost of sales		(1,324.5)	(1,703.8)
Gross profit		**489.9**	**(348.4)**
Other external expenses		(182.2)	(228.5)
Staff costs	2.2	(259.0)	(264.9)
Impairment loss and reversals of impairment loss on receivables from subsidiaries	3.5	24.1	(34.1)
Other operating income	2.5	79.0	46.3
EBITDA before special items		**151.8**	**(829.6)**
Amortisation, depreciation and impairment losses		(121.9)	(152.7)
Operating profit/(loss) (EBIT) before special items		**29.9**	**(982.3)**
Special items	2.3	(6.3)	(56.5)
Operating profit/(loss) (EBIT)		**23.6**	**(1,038.8)**
Income from investments in subsidiaries		22.2	42.2
Financial income	4.4	74.2	42.0
Financial expenses	4.4	(165.0)	(378.8)
Fair value adjustment of call options		57.8	(176.5)
Profit/(loss) before tax		**12.8**	**(1,509.9)**
Tax on profit/(loss) for the year	2.4	17.4	(139.7)
Profit/(loss) for the year		**30.2**	**(1,649.6)**
Proposed appropriation of profit/(loss) for the year:			
Retained earnings		30.2	(1,649.6)
Profit/(loss) for the year		**30.2**	**(1,649.6)**

Statement of other comprehensive income – Parent Company

1 January - 31 December

DKKm	Note	2021	2020
Profit/(loss) for the year (brought forward)		**30.2**	**(1,649.6)**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange hedging instruments:			
- Realised in inventories		(2.6)	0.8
- Realised in cost of sales		2.2	9.8
- Realised in financial items		2.5	(0.8)
- Fair value adjustments		55.2	(40.3)
Tax on hedging instruments		(12.6)	6.7
Other comprehensive income		**44.7**	**(23.8)**
Total comprehensive income/(loss) for the year		**74.9**	**(1,673.4)**

Balance sheet – Parent Company

31 December

Assets

DKKm	**Note**	**2021**	**2020**
Intangible assets	3.1	224.5	222.9
Right-of-use assets	3.2	286.6	344.1
Property, plant and equipment	3.3	31.5	35.1
Investment in subsidiaries and joint ventures	3.4	1,125.8	904.8
Receivables from subsidiaries	3.5	23.5	44.5
Deposits		19.0	20.0
Derivative financial instruments	4.3	303.4	282.5
Deferred tax	2.4	30.9	26.2
Non-current assets		**2,045.2**	**1,880.1**
Inventories	3.6	387.3	369.0
Income tax receivables		0.3	-
Receivables from subsidiaries	3.5	330.0	204.7
Receivables from joint ventures		5.8	1.9
Derivative financial instruments	4.3	29.4	-
Other receivables	1.2	164.2	11.9
Prepayments		13.4	9.6
Cash and cash equivalents		5.0	1.6
Current assets		**935.4**	**598.7**
Assets		**2,980.6**	**2,478.8**

Balance sheet – Parent Company
31 December

Equity and liabilities

DKKm	Note	2021	2020
Share capital	4.1	17.0	572.9
Currency hedging reserve		20.6	(24.1)
Development costs reserve		146.9	148.7
Retained earnings		(710.4)	(1,467.9)
Equity		**(525.9)**	**(770.4)**
Other provisions	3.7	69.8	20.4
Bank debt	4.2, 4.5	1,548.8	1,435.1
Other loans	4.2, 4.5, 5.3	146.0	14.7
Lease liabilities	3.2, 4.2, 4.5	241.7	290.8
Deferred considerations	4.2	50.6	59.0
Non-current liabilities		**2,056.9**	**1,820.0**
Other provisions	3.7	0.4	56.1
Bank debt	4.2, 4.5	31.5	171.1
Other loans	4.2, 4.5, 5.3	30.5	13.7
Lease liabilities	3.2, 4.2, 4.5	58.1	67.7
Trade payables	4.2	473.8	344.8
Amounts payable to subsidiaries	4.2, 4.5	718.1	533.6
Deferred considerations	4.2	40.5	63.0
Derivative financial instruments	4.2, 4.3	1.9	41.3
Other payables	3.8, 4.2	94.8	137.9
Current liabilities		**1,449.6**	**1,429.2**
Liabilities		**3,506.5**	**3,249.2**
Equity and liabilities		**2,980.6**	**2,478.8**

Statement of changes in equity – Parent Company

1 January – 31 December

DKKm	Share capital	Currency hedging reserve	Development costs reserve	Retained earnings	Total equity
2021					
Equity 31.12.2020	**572.9**	**(24.1)**	**148.7**	**(1,467.9)**	**(770.4)**
Effect from 2021 amendment to IFRS 16	-	-	-	(0.0)	(0.0)
Equity 01.01.	**572.9**	**(24.1)**	**148.7**	**(1,467.9)**	**(770.4)**
Profit for the year	-	-	-	30.2	30.2
Other comprehensive income for the year, net of tax	-	44.7	-	-	44.7
Capitalised development costs	-	-	(1.8)	1.8	-
Transactions with owners:					
Share capital decrease to cover losses	(572.9)	-	-	572.9	-
Share capital increase	17.0	-	-	152.6	169.6
Equity 31.12.	**17.0**	**20.6**	**146.9**	**(710.4)**	**(525.9)**
2020					
Equity 01.01.	**455.5**	**(0.3)**	**149.8**	**149.2**	**754.2**
Loss for the year	-	-	-	(1,649.6)	(1,649.6)
Other comprehensive loss for the year, net of tax	-	(23.8)	-	-	(23.8)
Capitalised development costs	-	-	(1.1)	1.1	-
Transactions with owners:					
Share capital increase	117.4	-	-	31.4	148.8
Equity 31.12.	**572.9**	**(24.1)**	**148.7**	**(1,467.9)**	**(770.4)**

Transaction costs of DKK 0.4m (2020: DKK 1.2m) have been recognised in Retained earnings under Share capital increase.

Cash flow statement – Parent Company
1 January – 31 December

DKKm	Note	2021	2020
Operating profit/(loss) (EBIT) before special items		**29.9**	**(982.3)**
Armortisation, depreciation and impairment losses		121.9	152.7
Special items paid/received		99.5	(41.0)
Working capital changes	3.9	(432.1)	389.1
Other non-cash adjustments		(65.2)	87.1
Interest income received		9.8	12.1
Interest expenses paid		(105.7)	(120.8)
Taxes paid/received		(0.2)	0.7
Cash flows from operating activities		**(342.1)**	**(502.4)**
Investment in intangible assets		(43.8)	(25.5)
Investment in right-of-use assets		(0.9)	(0.2)
Investment in property, plant and equipment		(7.0)	(15.5)
Investment in subsidiaries		(79.7)	(47.2)
Loans to subsidiaries		31.3	(87.6)
Dividend from subsidiaries		22.2	42.2
Change in deposits		1.0	9.1
Cash flow from investing activities		**(76.9)**	**(124.7)**
Free cash flow		**(419.0)**	**(627.1)**
Share capital increase		169.6	148.8
Repayment of lease liabilities	4.5	(69.4)	(91.0)
Proceeds from/(repayment of) loans and borrowings	4.5	322.2	560.7
Cash flow from financing activities		**422.4**	**618.5**
Increase/(decrease) in cash and cash equivalents		**3.4**	**(8.6)**
Cash and cash equivalents at 1 January		1.6	10.2
Cash and cash equivalents at 31 December		**5.0**	**1.6**

Unutilised credit facilities for the Parent Company were DKK 611.7m at 31 December 2021 (2020: DKK 462.5m).
The cash flow cannot be derived directly from the statement of profit or loss 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 Company generally applies the same accounting policies for recognition and measurement as the Group. Cases in which the Parent Company´s accounting policies differ from those of the Group are described below. For a detailed specification of the Parent Company´s accounting policies, please see note 1.1 to the consolidated financial statements.

Cases in which the Parent Company´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 Company´s total investment in the relevant subsidiary are recognised in the statement of profit or loss as financial income or financial expenses. In the consolidated financial statements, the currency adjustment is recognised in other comprehensive income.

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

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

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

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

1.2 Significant accounting estimates and judgments

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

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

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

Dispute with the Parent Company's freight forwarder
The Parent Company's freight forwarder has since June 2021 charged rates for sea freight in excess of the contractual agreement. The Parent Company has paid the disputed overcharges under protest and has recognised the difference between the amounts paid and the contractually agreed charges as a receivable in the balance sheet. In March 2022, the Parent Company filed a claim against the freight forwarder at the Danish Maritime and Commercial High Court (“Sø- & Handelsretten”), which also includes a claim relating to other disputed incurred costs in relation to non-performance of delivery terms of the freight forwarder.

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

2.1 Revenue

Accounting policies

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

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

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

The Parent Company operates the Group's retail stores in Denmark.

Revenue from franchisees is recognised when control of the products has been transferred to the franchisees. Transfer of control of the products occurs when the products have been delivered to the franchise partner and no further obligation exists that can affect the transfer of control.

Delivery has taken place when the franchise partner has collected the products from one of the Parent Company's central warehouses. Revenue from the sale is recognised based on the price specified in the contract. The price is not adjusted for any financing elements as payment terms never exceed 12 months. A receivable is recognised when the goods are delivered.

Except for damage claims, the franchisees have no rights of return.

The below figures include franchise fees and royalties of DKK 1.3m (2020: DKK 0m).

Please refer to note 2.1 to the consolidated financial statements for more information.

DKKm	2021	2020
Retail sale	247.5	314.9
Wholesale, affiliated entities	1,539.5	1,034.3
Franchise	27.4	6.2
Total	**1,814.4**	**1,355.4**

2.2 Staff costs

DKKm	2021	2020
Salaries and wages	227.0	238.7
Pension contributions	25.5	24.7
Other social security costs	1.3	1.5
Other staff costs	9.6	5.9
Total	**263.4**	**270.8**
Capitalised salaries and wages related to development projects	(4.4)	(5.9)
Recognised in the statement of profit or loss	**259.0**	**264.9**
Average number of full-time equivalents	**469**	**530**
Remuneration for the Executive Management and the Board of Directors		
Total remuneration, Executive Management	10.8	12.4
Total remuneration, Board of Directors	0.2	1.5
Total	**11.0**	**13.9**
Remuneration for the Executive Management and the Board of Directors		
Salaries and wages	10.0	12.9
Pensions	1.0	1.0
Total	**11.0**	**13.9**

2.3 Special items

DKKm	2021	2020
Transformation program	11.7	53.7
Costs related to the fire on the vessel Maersk Honam	(2.9)	2.8
Insurance compensation	(18.0)	-
Strategic initiatives regarding our global footprint	8.6	-
Change of ownership	3.3	-
Sea freight dispute and other legal costs	3.6	-
Total	**6.3**	**56.5**

2.4 Income taxes and deferred tax

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

Executive Management considers it probable that an amount of DKK 30.9m (2020: DKK 26.2m) in tax assets can be offset against positive taxable income in the near future. An amount of DKK 404.7m (2020: DKK 412.5m) in tax assets has been impaired at year-end 2021. The impairment had a negative effect on profit or loss of DKK 7.8m in 2021 (2020: DKK -373.1m). The tax asset is impairment tested considering expected income for the period 2022 to 2026.

However, the amount of tax assets not shown on the balance can still be carried forward to be offset against future taxable income after the budgeting period. Of the total deferred tax assets recognised, DKK 23.6m (2020: DKK 19.4m) is related to tax loss carry-forwards.

Tax costs

DKKm	**2021**	**2020**
Current tax	(0.1)	(0.7)
Change in deferred tax during the year	(9.5)	(232.8)
Adjustment to deferred tax concerning previous years	-	0.1
Impairment of deferred tax	(7.8)	373.1
Total	**(17.4)**	**139.7**

Tax reconciliation

DKKm	**2021**	**2020**
Profit/(loss) before tax	12.8	(1,509.9)
Calculated 22.0% on profit/(loss) before tax	2.8	(332.2)
Tax effect from:		
Withholding taxes	(0.1)	(0.7)
Non-taxable income and non-deductible expenses	(12.3)	99.4
Adjustments concerning previous years	-	0.1
Impairment of deferred tax	(7.8)	373.1
Total	**(17.4)**	**139.7**
Effective tax rate	**-135.9%**	**-9.3%**

Effective tax rate adjusted for non-taxable income from investments in subsidiaries is 184.5% (2020: -9.0%).

Deferred tax

DKKm	**2021**	**2020**
Deferred tax assets	30.9	26.2
Total	**30.9**	**26.2**

2.4 Income taxes and deferred tax (continued)

DKKm	Deferred tax 01.01.	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax 31.12.
2021				
Intangible assets	28.0	9.6	-	37.6
Right-of-use assets	(72.7)	12.5	-	(60.2)
Property, plant and equipment	16.1	1.6	-	17.7
Inventories	21.1	(13.0)	-	8.1
Lease liabilities	78.5	(11.1)	-	67.4
Receivables from subsidiaries	7.9	(5.3)	-	2.6
Foreign exchange hedging	6.8	-	(12.6)	(5.8)
Tax losses to be carried forward	319.5	8.6	-	328.1
Impairment of deferred tax	(412.5)	7.8	-	(404.7)
Interest limitation balances	14.2	6.8	-	21.0
Other	19.3	(0.2)	-	19.1
Deferred tax	**26.2**	**17.3**	**(12.6)**	**30.9**
2020				
Intangible assets	19.6	8.4	-	28.0
Right-of-use assets	(87.9)	15.2	-	(72.7)
Property, plant and equipment	13.5	2.6	-	16.1
Inventories	1.1	20.0	-	21.1
Lease liabilities	94.3	(15.8)	-	78.5
Receivables from subsidiaries	0.4	7.5	-	7.9
Foreign exchange hedging	0.1	-	6.7	6.8
Tax losses to be carried forward	132.8	186.7	-	319.5
Impairment of deferred tax	(39.4)	(373.1)	-	(412.5)
Interest limitation balances	7.7	6.5	-	14.2
Other	17.7	1.6	-	19.3
Deferred tax	**159.9**	**(140.4)**	**6.7**	**26.2**

2.5 Other operating income

Other operating income

DKKm	2021	2020
Government grants	77.7	39.6
Other	1.3	6.7
Total	**79.0**	**46.3**

3.1 Intangible assets

DKKm	Goodwill	Trademarks	Licenses and software	Intangible assets in progress	Total
2021					
Cost 01.01.	5.0	0.8	335.2	20.4	361.4
Additions	-	-	2.3	-	2.3
Additions, internal development	-	-	0.5	41.0	41.5
Transfer	-	-	32.4	(32.4)	-
Disposals	-	-	(0.3)	-	(0.3)
Cost 31.12.	**5.0**	**0.8**	**370.1**	**29.0**	**404.9**
Amortisation 01.01.	-	(0.1)	(138.4)	-	(138.5)
Amortisation	-	(0.2)	(41.1)	-	(41.3)
Impairment losses	-	-	(0.9)	-	(0.9)
Disposals	-	-	0.3	-	0.3
Amortisation 31.12.	**-**	**(0.3)**	**(180.1)**	**-**	**(180.4)**
Carrying amount 31.12.	**5.0**	**0.5**	**190.0**	**29.0**	**224.5**
2020					
Cost 01.01.	11.8	0.8	308.6	24.6	345.8
Additions	-	-	0.5	-	0.5
Additions, internal development	-	-	-	25.0	25.0
Transfer	-	-	29.2	(29.2)	-
Disposals	(6.8)	-	(3.1)	-	(9.9)
Cost 31.12.	**5.0**	**0.8**	**335.2**	**20.4**	**361.4**
Amortisation 01.01.	(0.9)	(0.1)	(103.9)	-	(104.9)
Amortisation	-	-	(37.5)	-	(37.5)
Impairment losses	-	-	-	-	-
Disposals	0.9	-	3.0	-	3.9
Amortisation 31.12.	**-**	**(0.1)**	**(138.4)**	**-**	**(138.5)**
Carrying amount 31.12.	**5.0**	**0.7**	**196.8**	**20.4**	**222.9**

Net loss from disposals of intangible assets amounts to DKK 0.0m (2020: DKK 6.0m).

3.2 Right-of-use assets and lease liabilities

Right-of-use assets

DKKm	Property	Cars	Other equipment	Store furniture	Total
2021					
Carrying amount 31.12.2020	343.0	0.6	0.5	-	344.1
Effect from 2021 amendment to IFRS 16	(14.3)	-	-	-	(14.3)
Carrying amount 01.01.	328.7	0.6	0.5	-	329.8
Additions	8.9	-	-	-	8.9
Adjustment due to remeasurement of lease liabilities	17.0	-	-	-	17.0
Disposals	(0.2)	-	-	-	(0.2)
Depreciation	(68.1)	(0.3)	(0.5)	-	(68.9)
Carrying amount 31.12.	**286.3**	**0.3**	**-**	**-**	**286.6**
2020					
Carrying amount 01.01.	401.9	1.0	1.8	0.1	404.8
Additions	7.3	-	-	-	7.3
Adjustment due to remeasurement of lease liabilities	14.6	-	-	-	14.6
Transfers	13.6	-	-	-	13.6
Disposals	(0.5)	-	-	-	(0.5)
Depreciation	(93.4)	(0.4)	(1.3)	(0.1)	(95.2)
Impairment losses	(0.5)	-	-	-	(0.5)
Carrying amount 31.12.	**343.0**	**0.6**	**0.5**	**-**	**344.1**

Net loss from selling right-of-use assets amounts to DKK 0.2m (2020: DKK 0.6m).

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

Lease liabilities

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2021					
Lease liabilities	66.7	191.2	70.4	328.3	299.8
2020					
Lease liabilities	78.1	224.1	95.9	398.1	358.5

	2021	2020
Non-current liabilities	241.7	290.8
Current liabilities	58.1	67.7
Total	**299.8**	**358.5**

Amounts recognised in profit or loss

DKKm	2021	2020
Depreciation charge of right-of-use assets	68.9	95.2
Interest expense on lease liabilities (included in finance cost)	10.1	11.4
Expense relating to short-term and low value leases (included in other external expenses)	0.1	-
Expense relating to variable lease payments (included in other external expenses)	5.4	1.1
Income from subleasing right-of-use assets (included in other external expenses)	4.0	4.4

The total cash outflow for leases in 2021 was DKK 85.0m (2020: DKK 103.5m).

At 31 December 2021, the Parent Company is committed to DKK 0m (2020: DKK 0m) for short term leases.

The effect from COVID-19 related rent concession in 2021 was DKK 1.4m (2020: DKK 0.6m), which has been included in other external expenses.

3.3 Property, plant and equipment

DKKm	Leasehold improvements	Store furniture	Other equipment	Assets under construction	Total
2021					
Cost 01.01.	34.0	36.9	31.2	7.7	109.8
Additions	1.1	0.1	5.8	-	7.0
Transfers	-	-	7.7	(7.7)	-
Disposals	(4.8)	(4.4)	(0.8)	-	(10.0)
Cost 31.12.	**30.3**	**32.6**	**43.9**	**-**	**106.8**
Depreciation 01.01.	(25.5)	(32.9)	(16.3)	-	(74.7)
Depreciation	(2.7)	(2.0)	(5.4)	-	(10.1)
Impairment losses	-	-	(0.2)	-	(0.2)
Transfers	-	-	-	-	-
Disposals	4.6	4.3	0.8	-	9.7
Depreciation 31.12.	**(23.6)**	**(30.6)**	**(21.1)**	**-**	**(75.3)**
Carrying amount 31.12.	**6.7**	**2.0**	**22.8**	**-**	**31.5**
2020					
Cost 01.01.	56.4	44.4	27.7	-	128.5
Additions	0.4	-	7.4	7.7	15.5
Transfers	(16.1)	-	-	-	(16.1)
Disposals	(6.7)	(7.5)	(3.9)	-	(18.1)
Cost 31.12.	**34.0**	**36.9**	**31.2**	**7.7**	**109.8**
Depreciation 01.01.	(29.5)	(35.0)	(17.9)	-	(82.4)
Depreciation	(3.8)	(4.6)	(2.3)	-	(10.7)
Impairment losses	(0.7)	(0.1)	-	-	(0.8)
Transfers	2.5	-	-	-	2.5
Disposals	6.0	6.8	3.9	-	16.7
Depreciation 31.12.	**(25.5)**	**(32.9)**	**(16.3)**	**-**	**(74.7)**
Carrying amount 31.12.	**8.5**	**4.0**	**14.9**	**7.7**	**35.1**

Net loss from selling or scrapping of property, plant and equipment amounts to DKK 0.3m (2020: DKK 1.4m).

3.4 Investment in subsidiaries and joint ventures

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

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

Significant accounting estimates and judgments
Following the negative impact in 2020 and 2021 from the COVID-19 pandemic, impairment tests of investment in subsidiaries have been carried out as per 31 December 2021. The impairment tests are based on value-in-use (discounted cash flow method) using projected EBITDA's for the period 2022-2024. An assumed growth rate of 1% has been applied for the period 2025-2031. The country specific pre-tax WACC is in the range of 14%-17% (2020: 12%-19%). The impairment tests show an impairment loss for the investment in three entities (2020: eight entities).

Zebra Japan K.K.
The investment in joint ventures in 2020 and 2021 consisted of the investment in Zebra Japan K.K., which markets and sells products from Flying Tiger Copenhagen on the Japanese market.

The carrying amount of the investment is tested annually for impairment, however the impairment test in 2021 did not show any need for additional impairment loss or reversal of the existing impairment losses recognised in prior years.

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

3.4 Investment in subsidiaries and joint ventures (continued)

DKKm	Investment in subsidiaries	Investment in joint ventures	Total
2021			
Cost 01.01.	1,057.5	53.1	1,110.6
Additions	259.1	-	259.1
Disposals	(48.7)	-	(48.7)
Transferred from assets held for sale	34.7	-	34.7
Cost 31.12.	**1,302.6**	**53.1**	**1,355.7**
Impairment losses 01.01.	(187.8)	(18.0)	(205.8)
Impairment losses during the year	(38.1)	-	(38.1)
Disposals	48.7	-	48.7
Transferred from assets held for sale	(34.7)	-	(34.7)
Impairment losses 31.12.	**(211.9)**	**(18.0)**	**(229.9)**
Carrying amount 31.12.	**1,090.7**	**35.1**	**1,125.8**
2020			
Cost 01.01.	796.0	53.1	849.1
Additions	265.7	-	265.7
Disposals	(4.2)	-	(4.2)
Cost 31.12.	**1,057.5**	**53.1**	**1,110.6**
Impairment losses 01.01.	(53.6)	(18.0)	(71.6)
Impairment losses during the year	(137.3)	-	(137.3)
Disposals	3.1	-	3.1
Impairment losses 31.12.	**(187.8)**	**(18.0)**	**(205.8)**
Carrying amount 31.12.	**869.7**	**35.1**	**904.8**

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

3.5 Receivables from subsidiaries

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

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

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

Impairment losses relating to trade receivables are deducted from the carrying amount and are recognised in the statement of profit or loss in the separate line 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'. Impairment losses relating to intercompany loans are deducted from the carrying amount and are recognised in the statement of profit or loss under financial expenses.

Intercompany balances, which are expected to be settled as part of the normal operating cycle are classified as current assets, unless an unconditional right to defer settlement of the liability for at least twelve months after the reporting period exists.

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

The assessment of expected lifetime credit losses on receivables from subsidiaries resulted in recognition of an impairment loss in 2021 of DKK 13.8m (2020: DKK 141.2m). The impairment losses in 2021 relate to intercompany receivables from three entities (2020: eight entities), which primarily due to the COVID-19 pandemic have a declining result. In 2021, an amount of DKK 97.0m (2020: DKK 26.3m) regarding previous years provisions was reversed as the outstanding intercompany amount was no longer considered impaired.

		Due between (days)			
DKKm	**Not fallen due**	**1-30**	**31-90**	**>91**	**Total**
2021					
Intercompany loans (interest-bearing)	172.0	-	-	-	172.0
Trade receivables	215.0	16.8	13.1	10.7	255.6
Impairment losses	(73.9)	-	(0.1)	(0.1)	(74.1)
Receivables from subsidiaries	**313.1**	**16.8**	**13.0**	**10.6**	**353.5**
Proportion of the total receivables expected to be settled					82.7%
Impairment rate	19.1%	0.0%	0.8%	0.9%	17.3%
2020					
Intercompany loans (interest-bearing)	290.8	-	-	-	290.8
Trade receivables	47.4	16.1	17.9	34.3	115.7
Impairment losses	(124.9)	(0.8)	(2.7)	(28.9)	(157.3)
Receivables from subsidiaries	**213.3**	**15.3**	**15.2**	**5.4**	**249.2**
Proportion of the total receivables expected to be settled					61.3%
Impairment rate	36.9%	5.2%	15.2%	84.3%	38.7%

3.5 Receivables from subsidiaries (continued)

DKKm	2021	2020
Impairment losses 01.01.	**(157.3)**	**(42.4)**
Reversed impairment losses recognised in the statement of profit or loss under 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'	33.5	0.5
Reversed impairment losses recognised in the statement of profit or loss under 'Financial Income'	63.5	25.8
Impairment, during the year recognised in the statement of profit or loss under 'Impairment loss and reversals of impairment loss on receivables from subsidiaries'	(9.4)	(34.6)
Impairment, during the year recognised in the statement of profit or loss under 'Financial expenses'	(4.4)	(106.6)
Impairment losses 31.12.	**(74.1)**	**(157.3)**

3.6 Inventories

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

Management has considered the recoverability of the inventory value and has recognised inventory write-downs of DKK 36.9m during 2021 (2020: DKK 95.8m) due to a combination of lower sales in connection with COVID-19 and a commercial assessment of the future assortment.

The reversal of DKK 46.0m in provision for write-downs is driven by products being life-extended and re-introduced in the stores due to global supply chain constraints caused by COVID-19.

DKKm	2021	2020
Finished goods	424.2	464.8
Write-downs	(36.9)	(95.8)
Total	**387.3**	**369.0**
Write-downs 01.01.	(95.8)	(5.1)
Write-downs, during the year	(21.8)	(95.8)
Write-downs, utilised during the year	34.7	4.1
Write-downs, reversed during the year	46.0	1.0
Write-downs 31.12.	**(36.9)**	**(95.8)**

The carrying amount of inventories at fair value less cost to sell amounts to DKK 0m (2020: DKK 0m).

3.7 Other provisions

DKKm	2021	2020
Provisions 01.01.	76.5	82.2
Provisions, during the year	0.2	0.4
Provisions, utilised	(3.4)	(0.6)
Provisions, reversed during the year	(3.1)	(5.5)
Provisions 31.12.	**70.2**	**76.5**
Non-current provisions	69.8	20.4
Current provisions	0.4	56.1
Total	**70.2**	**76.5**

Other provisions relate mainly to restoration obligations in connection with vacating leased premises as well as a provision to cover the bank debt in entities where there is a risk that debt will be overtaken by the Parent Company. The provision to cover bank debt in entities has been reclassed from current provisions to non-current provisions. Other provisions also include an estimated contribution to damage and salvage costs from a fire on the container carrier, Maersk Honam in March 2018.

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

3.8 Other payables

DKKm	2021	2020
VAT and other indirect taxes	14.5	4.4
Employee costs	64.6	76.9
Other	15.7	56.6
Total	**94.8**	**137.9**

3.9 Working capital changes

DKKm	2021	2020
Change in inventories	40.6	224.1
Change in receivables from subsidiaries	(249.0)	84.7
Change in receivables from joint ventures	(3.9)	3.7
Change in other receivables	(152.3)	0.1
Change in prepayments	(3.8)	(2.4)
Change in trade payables	104.7	(96.9)
Change in payables to subsidiaries	(124.0)	115.8
Change in other payables	(44.4)	60.0
Total	**(432.1)**	**389.1**

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
2021					
Financial liabilities					
Bank debt	112.6	1,675.9	-	1,788.5	1,580.3
Other loans	30.5	21.0	125.0	176.5	176.5
Lease liabilities	66.7	191.2	70.4	328.3	299.8
Deferred considerations	40.5	50.6	-	91.1	91.1
Derivative financial instruments	1.9	-	-	1.9	1.9
Trade payables	473.8	-	-	473.8	473.8
Amounts payable to subsidiaries	718.1	-	-	718.1	718.1
Other payables	94.8	-	-	94.8	94.8
Total	**1,538.9**	**1,938.7**	**195.4**	**3,673.0**	**3,436.3**
2020					
Financial liabilities					
Bank debt	249.8	1,582.9	-	1,832.7	1,606.2
Other loans	14.1	15.3	-	29.4	28.4
Lease liabilities	78.1	224.1	95.9	398.1	358.5
Deferred considerations	63.0	59.0	-	122.0	122.0
Derivative financial instruments	41.3	-	-	41.3	41.3
Trade payables	344.8	-	-	344.8	344.8
Amounts payable to subsidiaries	533.6	-	-	533.6	533.6
Other payables	137.9	-	-	137.9	137.9
Total	**1,462.6**	**1,881.3**	**95.9**	**3,439.8**	**3,172.7**

4.3 Derivative financial instruments

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

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

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

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

4.4 Net financials

DKKm	2021	2020
Financial income		
Interest on financial assets measured at amortised cost	-	0.1
Interest from subsidiaries	9.4	11.1
Commission fee from subsidiaries	0.1	0.1
Gains on derivative financial instruments not designated as hedges	1.2	3.5
Reversal of write-down of receivables from subsidiaries	63.5	25.8
Exchange rate adjustments, net	-	1.4
Total	**74.2**	**42.0**
Financial expenses		
Bank charges*	34.8	21.7
Loss from guarantee commitments	-	29.3
Interest on lease liabilities	10.1	11.4
Interest on financial liabilities measured at amortised cost	64.4	70.2
Losses on derivative financial instruments not designated as hedges	3.7	1.7
Impairment losses on investment in subsidiaries	38.1	137.9
Write-down of receivables from subsidiaries	4.4	106.6
Exchange rate adjustments, net	9.5	-
Total	**165.0**	**378.8**
Net financials	**(90.8)**	**(336.8)**

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

4.5 Liabilities arising from financing activities

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

DKKm	Liabilities 01.01.	Cash movements financing activities	Cash movements operating activities	Non-cash movements	Liabilities 31.12.
2021					
Financial liabilities					
Bank debt	1,606.2	(29.9)	-	4.0	1,580.3
Other loans	28.4	148.1	-	-	176.5
Lease liabilities	358.5	(69.4)	-	10.7	299.8
Amounts payable to subsidiaries	533.6	204.0	(124.0)	104.5	718.1
Total	**2,526.7**	**252.8**	**(124.0)**	**119.2**	**2,774.7**
2020					
Financial liabilities					
Bank debt	1,233.9	359.8	-	12.5	1,606.2
Other loans	13.9	14.5	-	-	28.4
Lease liabilities	425.8	(91.0)	-	23.7	358.5
Amounts payable to subsidiaries	231.5	186.4	115.7	-	533.6
Total	**1,905.1**	**469.7**	**115.7**	**36.2**	**2,526.7**

5.1 Assets held for sale

In 2021 and 2020, no assets in Zebra A/S have been reclassified to assets held for sale. Please refer to note 5.1 to the consolidated financial statements for more information.

5.2 Fees to statutory auditor

DKKm	2021	2020
EY		
Statutory audit of financial statements	1.5	1.7
Other assurance engagements	0.5	0.3
Tax advisory services	0.1	0.2
Other services	0.1	-
Total	**2.2**	**2.2**

5.3 Related parties

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

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

The Parent Company has had the following transactions with related parties:

DKKm	Subsidiaries	Joint ventures	Total
2021			
Sale of goods	1,459.8	66.5	1,526.3
Royalties and service fees	-	12.6	12.6
Dividends received	22.2	-	22.2
Interests	9.4	-	9.4
Commitment and facility fees on loans	0.1	-	0.1
2020			
Sale of goods	972.2	50.8	1,023.0
Royalties and service fees	1.2	11.4	12.6
Dividends received	42.2	-	42.2
Interests	11.1	-	11.1
Commitment and facility fees on loans	0.1	-	0.1

On 10 February 2021, the share capital was reduced from DKK 572.9m to DKK 0m to cover losses. Following the reduction, Zebra Lux Holding S.à.r.l. injected new capital amounting to DKK 170.0m, including share premium, into Zebra A/S. On the same date 100% of the share capital was sold to Treville X Holding ApS.

As part of the sales transaction, Zebra Lux Holding S.à.r.l. settled a short term bank loan of DKK 125.0m and Treville X Holding ApS took over the claim against Zebra A/S. The loan is unsecured and does not carry any interests nor instalments. The loan is included in Other loans in the balance sheet.

During 2020, it was agreed to increase the share capital by new shares, which were subscribed by Zebra Lux with DKK 105.0m and by Mitco ApS with DKK 45.0m.

Remuneration paid to members of the Executive Management and the Board of Directors is included in note 2.2.

Amounts receivable/payable with related parties

DKKm	2021	2020
Current loans:		
Receivables from subsidiaries, non-current	23.5	44.5
Receivables from subsidiaries, current	330.0	204.7
Receivables from joint ventures	5.8	1.9
Payables to subsidiaries	(718.1)	(533.6)
Debt to affiliates (Other loan, non-current)	(125.0)	-
Total	**(483.8)**	**(282.5)**

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

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

5.4 Guarantee commitments and contingent liabilities

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

Other guarantees
The Parent Company has provided a guarantee to the Japanese joint venture's bank which amounts to a maximum of DKK 82.7m (2020: DKK 85.2m). At 31 December 2021, the guaranteed amount constituted DKK 82.7m (2020 DKK 85.2m).

The Parent Company has guaranteed or provided guarantees for banking facilities, etc. for subsidiaries amounting to a total of DKK 73.3m (2020: DKK 80.1m). The Parent Company has also provided surety for debt in certain subsidiaries amounting to a total of DKK 130.0m (2020: DKK 130.0m). Furthermore, the Parent Company has provided the banks behind the credit facilities with a preference to receivables in certain subsidiaries which amount to a maximum of DKK 20.0m (2020: DKK 20.0m).

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

Contractual obligation
Contractual obligations related to service contracts amounted to DKK 44.0m (2020: DKK 62.0m). Aside from liabilities recognised in the balance sheet, no significant losses are expected to incur as a result of contractual obligations.

Pledged assets
A letter of indemnity (company charge) of nominal DKK 30.0m (2020: DKK 30.0m) has been deposited by the Parent Company as security for the Parent Company’s bank debt.

Bank debt is secured by a mortgage of nominal DKK 25.0m deposited by the Parent Company on assets, including the Parent Company’s goodwill, leasehold rights and furniture (2020: DKK 25.0m).

The carrying amount of pledged assets is stated below:

DKKm	**2021**	**2020**
Pledged assets		
Goodwill	5.0	5.0
Leasehold rights, included in right-of-use assets	5.5	5.8
Trademarks	0.5	0.5
Leasehold improvements	6.7	8.5
Other equipment	22.8	14.9
Store furniture	2.0	4.0
Investments in subsidiaries	744.7	572.2
Inventories	387.3	369.0
Receivables	339.2	207.6
Total	**1,513.7**	**1,187.5**

5.5 Events after the balance sheet date

Please refer to note 5.5 in the consolidated financial statements.

Management statement

The Board of Directors and the Executive Management have today discussed and approved the annual report of Zebra A/S for the financial year 2021.

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's financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021, the results of the Group and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021.

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, 2 June 2022

Executive Management

Martin Jermiin
CEO

Christian Kofoed H. Jakobsen
CFO

Board of Directors

Nikolaj Vejlsgaard
Chairman

Casper Lykke Pedersen

Lars Thomassen

Independent Auditor's report

To the shareholders of Zebra A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Zebra A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 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 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 2 June 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
mne 21332

Thomas Bruun Kofoed
State Authorised
Public Accountant
mne 28677

Zebra A/S Strandgade 71–73, DK 1401 Copenhagen K, Denmark
Central Business Registration. No: 15690488. www.flyingtiger.com

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