

Summary of
Annual Report 2020/21

Flügger



This is an English summary of the consolidated annual report, and parts of the consolidated report have been intentionally omitted. In case of any matter of dispute or other divergences between the Danish and English text, the Danish text will prevail.

Outlook statements

The stated outlook for the Group's future financial development is connected with uncertainty and risks which may result in deviations from the expected future development. These statements on the Group's future prospects are no guarantees of the future development. The results realised may differ significantly from those expressed in the outlook statements.

General meeting

The company's annual general meeting will be held on Wednesday 11 August 2021 at 10.30 at the company's address:

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Tel. +45 70 15 15 05
flugger@flugger.com
CVR no. 32788718



Contents

Overview 2020/21

Preface by the Chairman	4
Preface by the Chief Executive Officer	5
Key figures 2020/21	6
Flügger 10 years' development	7
Highlights 2020/21	8
Outlook for 2021/22	8
Geographical overview	9
Financial review 2020/21	10
Effect of COVID-19	12
Quarterly analysis – Q4 2020/21	13
Segments in Flügger	14
Focus: Eskaro	15
The Flügger share	16

Our business

Flügger – in brief	18
Business model	19
Risks	20

Strategy and corporate social responsibility

Going Green: Our six strategic focus areas	24
Sustainability in Flügger	26

Flügger is in a stronger position than ever

Dear shareholders

The targeted work in recent years to create a more sustainable platform for profitable growth has paid off. Since 2017/18, Flügger has focused on streamlining and adapting its network of stores. In addition, production investments have been made. The results this year speak for themselves: Today, Flügger is stronger than ever, and the Group is geared towards further growth.

Three years ago, an efficiency programme was launched with a target of reducing consolidated costs by more than DKK 60 million annually, once cost-cutting measures had been fully implemented in 2020/21. However, we met that target already in 2019/20. The result of the efficiency programme is thus also evident in the profit for the most recent financial year, where only approximately DKK 50 million of the earnings of DKK 228 million for the year is estimated to be derived from the increased activity during COVID-19, while the rest of the improvement in the past year can be attributed to the efficiency programme and general growth.

New CEO and new long-term objectives and targets

In April 2021, we welcomed Sune Schnack as our new CEO. Sune represents the next generation of the Schnack family, who are majority shareholders in Flügger. In the past few years, Sune has built up in-depth knowledge of the company and its special DNA, including as Vice Chairman of the Board of Directors and as head of the subsidiary PP professional paint. Prior to Sune taking up the position as CEO, we discussed together what it will take to bring Flügger to the next level on the journey from a Nordic to an international paint manufacturer. We still believe that the current direction of the company is the right one.

The historically great results in 2020/21 provide a good starting point for keeping our foot on the growth accelerator. We have therefore set a new, long-term target of generating revenue of DKK 3.5 billion and achieving an EBIT margin of 10% in 2023/24. The ambitious targets are to be met by continuing to focus on efficiency improvements, increased digitalisation, organic growth and acquisitions.

The former CEO, Jimmi Mortensen, who has headed Flügger's successful transformation since 2016, has continued as Vice Chairman of the Board of Directors. I am very pleased that this will allow us to continue to draw on Jimmi's experience and broad knowledge of Flügger.

Growth through acquisitions

In the past 18 months, we have made two acquisitions – Unicell in Poland and Eskaro, which is engaged in activities in large parts of Eastern Europe. Unicell has now been part of the Flügger group for just over 18 months, and during this period we have been confirmed in our belief that Unicell is a healthy and sound business with a strong platform in sales to the DIY segment.

In autumn 2020, Flügger entered into an agreement to acquire a majority stake in Eskaro. Like Unicell, Eskaro primarily sells its products through dealers and builders' merchants. In May 2021, the competition authorities approved the acquisition of Eskaro, and we thus look forward to further expanding the Group's presence in Eastern Europe.

We are still evaluating potential acquisition prospects, all within our existing markets, and preferably in Eastern Europe, where we expect continued growth.

Thank you to employees, customers and shareholders

The year has brought many changes, both externally and internally. We would like to thank all our Flügger employees for their great work and commitment in a very different year. A big thank-you is also extended to our customers and partners for their ongoing contribution to the development of Flügger. Last, but not least, a big thank-you is extended to all our shareholders.



Michael Mortensen
Chairman of the Board



Michael Mortensen
Chairman of the Board



Sune Schnack
Chief Executive Officer

Historically high growth in an unpredictable year

Dear shareholders

In Flügger, we can look back on a financial year in which we passed several financial milestones despite great unpredictability. Revenue amounted to DKK 2,162 million in 2020/21, while earnings were DKK 228 million – results we take pride in and are grateful for in a year in which COVID-19 affected both companies and private individuals.

2020/21 was the year in which we delivered extraordinarily good results in all four quarters. For the first time in Flügger's history, we posted an operating profit in Q3 – a quarter that is otherwise our off-season. COVID-19 has given us plenty of tailwind because many of our customers have had more time to refurbish their homes, and both home sales and new construction have also been at a high level. In addition, our great results have been boosted by our ongoing efficiency improvement measures, including efficient cost management and the positive effect from the acquisition of paint manufacturer Unicell in autumn 2019.

New management – same strategic direction

On 1 April 2021, I took up the position as CEO – a task that I approach with humility, but above all with the passion and determination that I have inherited from my father, Ulf Schnack. My first task has been to evaluate our strategic initiatives, together with the rest of the management team, and to ensure that they reflect our new, long-term objectives and targets. I see it as one of my most important tasks to ensure that we both maintain and increase the momentum we have created in the past year.

Strengthened focus in three areas

To support our strategic focus areas optimally, we have, among other measures, intensified our focus on digitalisation. Digitalisation is essential to our ability to supply efficient and agile solutions to our customers and strengthen their buying experience. We can only succeed in this by focusing on people, processes and tools – in that order.

In addition, we are increasing our focus on integrating and working in an even more targeted manner with CSR and sustainability. With our 'Going Green' strategy, we have set targets for and specified our ambitions to create a much more sustainable Flügger by 2030, with milestones in 2023/24 in three main areas: Production, Packaging and Paint. We have worked to anchor the goals and targets in our strategic focus areas and in our business in general, including through the creation of an independent CSR function.

Thank you to our employees, customers and shareholders

First of all, I would like to thank our employees for their extraordinary work and commitment in the past year. It has been an unpredictable year that has required extra work and commitment from everyone across our business in order to adapt to the conditions under COVID-19 and also meet the increasing demand. Therefore – and as a token of our appreciation – we allocated shares and bonuses totalling DKK 6 million to all our employees across functions and markets in April 2021.

I would also like to extend a warm thank-you to our customers for supporting our business by choosing Flügger and Unicell as their trusted supplier and partner. Your trust obligates us.

Sune Schnack
Chief Executive Officer

Key figures 2020/21

2020/21 financial year = 1 May 2020 - 30 April 2021

Revenue

DKK million

2,162

▲ +14%



Gross profit/loss

DKK million

1,215

▲ +22%



EBIT

DKK million

228

▲ +174%



Net profit/loss after tax and minority shares

DKK million

171

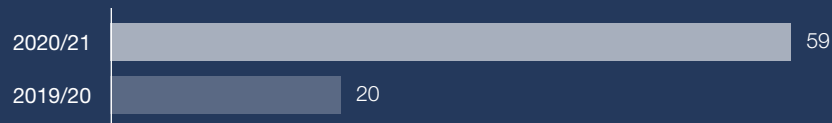
▲ +195%



Earnings per share after tax and minority interests

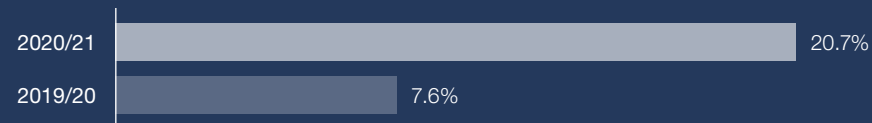
DKK

59



ROCE

20.7%



Flügger 10 years' development

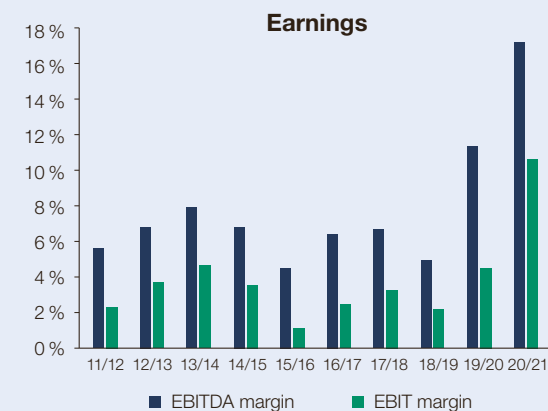
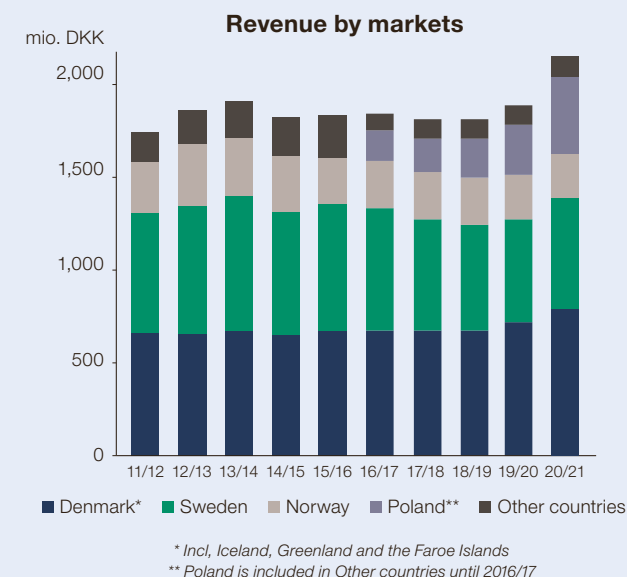
DKK million	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Income statement										
Revenue	1,760	1,874	1,924	1,833	1,850	1,849	1,818	1,824	1,895	2,162
Gross profit/loss	940	1,001	1,036	1,015	998	1,025	1,011	992	998	1,215
EBITDA	98	128	152	122	82	119	119	88	212	368
EBIT	40	68	88	65	21	44	58	41	83	228
Net financials	-4	-4	-2	1	2	-2	-1	1	-7	-8
Profit/loss before tax	36	64	87	66	23	41	56	41	76	220
Net profit/loss for the year	22	49	76	54	13	29	33	32	60	180
Net profit/loss for the year after tax and minority shares	22	49	76	54	13	29	33	32	58	171
Balance sheet										
Balance sheet total, year-end	1,253	1,226	1,183	1,250	1,243	1,189	1,139	1,095	1,691	1,842
Equity, year-end	774	824	838	859	811	797	760	742	787	951
Net interest-bearing debt (-)/cash and cash equivalents (+)	-71	-17	78	55	28	124	154	145	-301	-245
Net interest-bearing deb excl. leasing (-)/cash and cash equivalents (+)	-71	-17	78	55	28	124	154	145	105	141
Working capital	336	336	296	322	324	270	255	281	217	236
Cash flows										
Cash flows before financing and tax	31	145	183	78	74	172	107	59	287	337
Cash flows from operating activities	6	120	172	85	67	158	96	51	272	313
Cash flows to investing activities	-66	-13	-44	-67	-41	-24	-21	-15	-159	-165
Cash flows to financing activities	72	-99	-108	-12	-12	-97	-54	-34	-126	-129
Investments in property, plant and equipment	68	29	19	40	39	22	17	16	59	149
Financial ratios*										
Gross margin, %	53.4	53.4	53.8	55.4	53.9	55.4	55.6	54.4	52.7	56.2
EBITDA margin, %	5.6	6.8	7.9	6.7	4.4	6.4	6.6	4.8	11.2	17.0
EBIT margin, %	2.3	3.6	4.6	3.5	1.1	2.4	3.2	2.2	4.4	10.6
Return on equity, %	2.8	6.1	9.1	6.3	1.6	3.6	4.3	4.3	7.6	20.7
Equity ratio, %	61.8	67.2	70.8	68.7	65.2	67.1	66.7	67.8	46.5	51.1
ROCE, %	4.7	8.1	11.6	8.1	2.7	6.5	9.5	6.8	7.6	20.7
Full-time employees, average	1,650	1,625	1,572	1,575	1,550	1,533	1,486	1,481	1,624	1,527

Definitions

Gross margin, % Gross profit as a percentage of revenue	EBITDA margin, % Operating profit before depreciation, amortisation and writedowns as a percentage of revenue	EBIT margin, % Primary operating profit as a percentage of revenue	Return of equity, % Profit or loss from ordinary activities after tax as a percentage of average equity	Equity ratio, % Equity at year-end as a percentage of liabilities at year-end	ROCE, % EBIT as a percentage of capital employed
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Share ratios, see p. 17

* Financial ratios have been calculated according to the recommendations of CFA Society Denmark.



Highlights 2020/21

- COVID-19 has had a positive effect on sales and earnings. Revenue amounted to DKK 2,162 million, which is 14% up on the previous year. There has especially been significantly greater demand from consumers and small businesses, primarily in Denmark and Sweden. Norway and Poland were burdened by lockdowns during the first half of the financial year, but Poland bounced back strongly in the second half of the year.
- Gross profit amounted to DKK 1,215 million, which is 22% up on the previous year. The growth rate can be attributed to additional sales to consumers, additional sales of outdoor wood stains and paints, and a positive effect from the acquired Unicell.
- Operating profit (EBIT) was DKK 228 million against DKK 83 million for the previous year, equal to a growth rate of 174%. In addition to the effect from COVID-19, efficiency improvements in production, sales and administration as well as the acquired Unicell made positive contributions to earnings.
- During the financial year, the Group initiated the shutdown of the paint production in Sweden and the transfer of

water-based products to the Kolding factory. Solvent-containing products are discontinued or outsourced. In Sweden, the establishment of a new filler production facility will be ready for commissioning in June 2021. Fillers have become one of the Group's most sought-after products.

- Unicell, in which the Group acquired a 60% stake in November 2019, has provided strong organic growth of more than 9% based on revenue of DKK 176 million.
- On 24 November 2020, Flügger signed an agreement to acquire 70% of Eskaro Group AB, which is a paint manufacturer with sales in Ukraine, Russia, Belarus, Finland, Estonia and Latvia. The agreement was finally approved on 14 May 2021. Eskaro generates annual revenue of approximately DKK 390 million.
- In the financial year, the company's Chairman of the Board, Michael Mortensen, chose to increase his portfolio of Flügger shares from 10% to just under 27%. At the same time, CEO Sune Schnack and the Schnack family hold approximately 45% of the shares, which means that both the CEO and the Chairman of the Board have significant interests in Flügger.

Outlook for 2021/22

Outlook for revenue DKK 2,500-2,700 million.

We expect that revenue will continue to be positively affected by the COVID-19 situation in 2021/22, but that there will be a normalisation during the second half of the year. Acquired Eskaro is expected to contribute revenue of between DKK 400-450 million.

Projected operating profit (EBIT): DKK 220-270 million.

EBIT is expected to continue to be positively affected by increased sales to consumers with a higher margin. However, rising prices of raw materials and significant payroll increases,

especially in Eastern Europe, will have a negative impact on earnings. Rationalisations in production, sales and administration as well as positive returns from acquired Eskaro will, in turn, contribute positively to earnings.

Projected profit after financials, tax and minority interests: DKK 155-190 million.

Profit after financials, tax and minority interests is expected to constitute just under 70% of EBIT, equal to DKK 155-190 million. Converted into earnings per share (EPS), this is equal to DKK 53-65.



Geographical overview

- Production etc.
- Sales and administration
- Head office

DENMARK*

Revenue DKK million	Share of total revenue	Number of employees**	Own stores	Franchise stores
795	37%	494	64	82

SWEDEN

Revenue DKK million	Share of total revenue	Number of employees**	Own stores	Franchise stores
604	28%	464	66	39

NORWAY

Revenue DKK million	Share of total revenue	Number of employees**	Own stores	Franchise stores
239	11%	166	32	19

POLAND

Revenue DKK million	Share of total revenue	Number of employees**	Own stores
412	19%	499	52

CHINA

Revenue DKK million	Share of total revenue	Number of employees**	Own stores
43	2%	88	18

EXPORTS

Revenue DKK million	Share of total revenue
69	3%



Financial review 2020/21

Flügger has had an extraordinarily positive financial year. Revenue amounted to DKK 2,162 million, equal to a growth rate of 14%. The growth comes mainly from consumer sales in Denmark and Sweden, but also from additional sales in Poland, where increasing revenue was supplemented by revenue from Unicell, which is included in the financial statements for Flügger from November 2019. Earnings increased from DKK 83 million in the previous financial year to DKK 228 million, equal to a growth rate of 174%. The results are thus in accordance with the interim results published by the Group to the market on 10 May 2021.

The exceptionally positive development in 2020/21 is attributed to the effect of COVID-19 as well as cost-cutting measures in production, sales and administration in accordance with planned efficiency improvements.

Sales development

Sales Denmark, incl. Iceland, Greenland and the Faroe Islands: DKK 795 million (+11%)

The additional sales of 12%, before a negative impact of 1% due to a drop in the exchange rate of the Icelandic króna, came primarily from consumers who had extra time for painting work as a result of COVID-19. The number of own stores remained unchanged at 64, while the number of franchise stores was reduced to 82 from 91 in the previous year. A number of new

agreements with franchisees are being established. Flügger is the market leader with a market share of approximately 30%.

Sales Sweden: DKK 604 million (+7%) – local currency SEK 853 million (+4%)

The additional sales were especially generated in the second half of the financial year – a bit like in Denmark – by consumers and small firms of artisans. During the year, the Group has reduced the number of own stores from 67 to 66 and reduced the number of franchise stores from 47 to 39. More profitable stores are being developed. Flügger is one of the leading brands on the Swedish market with a market share of just under 20%.

Sales Norway: DKK 239 million (+2%) – local currency NOK 339 million (+6%)

The Group has faced major challenges in the Norwegian market due to a decreasing exchange rate and periods of forced closure of stores due to COVID-19 lockdowns. The Group has succeeded in maintaining a significant part of the sales, especially to master painters via online sales. The number of stores in Norway was 32 own stores and 19 franchise stores – against 34 and 15, respectively, in the previous year. The Norwegian market is dominated by local Jotun, which has a market share of more than 70%, while, in comparison, Flügger has a market share of just under 15%.

Sales Poland: DKK 412 million (+47%) – local currency PLN 257 million (+52%)

The Group has had another strong year in Poland, with revenue growth of 12% in local currency before sales from acquired Unicell. The Polish zloty fell by 6% at the start of the financial year and has now stabilised at a lower level. Flügger has 52 own stores in Poland against 54 the previous year.

Sales – other countries: DKK 112 million (+15%)

Sales to other countries, primarily China, Russia, Lithuania, France, Estonia and Latvia, are developing positively in collaboration with solid partners and distributors. Despite major challenges with COVID-19 restrictions, Flügger succeeded in increasing its revenue by 15% in the financial year.

Cost and profit development

In 2020/21, production costs amounted to DKK 947 million, 6% up on the same period in the previous year. Seen in relation to sales growth of 14%, this is highly satisfactory and is the result of production rationalisations and more favourable procurement contracts. This has a positive effect on consolidated gross profit, which increased by DKK 217 million to DKK 1,215 million.

Sales and distribution costs increased from DKK 732 million to DKK 808 million in 2020/21, representing a 10% increase. The development is affected by increased distribution costs and the acquisition of Unicell, but is partly offset by cost reductions due to fewer stores. Other income/costs, which were negative at DKK 5 million the previous year, were positive in 2020/21 at DKK 6 million, including as a result of a gain on the sale of land in connection with the shutdown of paint production in Sweden.

The Group's EBIT amounted to DKK 228 million, which is 174% up on last year's DKK 83 million. Financials were DKK -8 million, which is on a par with the previous year. The item consists primarily of interest charged in accordance with IFRS16 Leasing. Income tax amounted to DKK 40 million, equal to 18% of profit before tax. Profit after tax for the year was DKK 180 million against DKK 60 million the previous year. After deduction of minority interests of DKK 9 million, net profit for the year was DKK 171 million.

Sales development DKK million	2019/20	2020/21	Organic growth**	Company acquisitions	Currency	Total growth
Sales Denmark*	718	795	12%	-	-1%	11%
Sales Sweden	564	604	4%	-	4%	7%
Sales Norway	235	239	6%	-	-4%	2%
Sales Poland	280	412	12%	40%	-6%	47%
Sales – other countries	98	112	16%	-	-1%	15%
Total revenue	1,895	2,162	9%	6%	-1%	14%

* Incl. Iceland, Greenland and the Faroe Islands

** Organic growth has been calculated as the development in revenue, adjusted for the effect of foreign currency and company acquisitions/divestments

One-off items

Flügger has undergone a major restructuring in recent years, with a reduction in the number of stores, closure of factory in Sweden, cost reductions in the organisation as well as extension of a new filler factory in Sweden and the expansion and updating of the Kolding factory. In addition, costs have been incurred for company acquisitions. Total one-off costs amounted to DKK 32 million in the financial year, which is on a par with the previous year.

A number of transaction costs have been incurred in connection with the acquisition of Eskaro. Overall, acquisition costs amounted to approximately DKK 8 million.

When the COVID-19 pandemic began, we were forced to accelerate our e-commerce activities. Unfortunately, some of these investments turned out not to produce the desired effect, and a write-down of DKK 10 million was consequently made in Q4 2020/21.

The shutdown of the existing paint production in Sweden was implemented successively during spring 2021. In this connection, the shutdown costs, including dismissal of employees, costs for dismantling of production equipment, handling of residues of raw materials and packaging etc., amounted to a total cost of approx. DKK 14 million in the financial year.

Balance sheet

The consolidated balance sheet total amounted to DKK 1,842 million as at the end of the 2020/21 financial year against DKK 1,691 million last year. The increase of DKK 151 million in assets comes primarily from cash and cash equivalents as well as plants under construction and inventories. The latter is affected by the conversion of the factories in Sweden and Denmark.

The working capital of DKK 236 million is on a par with the previous year.

On the liabilities side, equity increased by DKK 164 million to DKK 951 million before deduction of minority interests of DKK 40 million.

Net interest-bearing debt was DKK -245 million against DKK -302 million last year.

Cash flows

Cash flows from operating activities were DKK 313 million against DKK 272 million in the previous year. The increase in cash flows can primarily be attributed to the improved operating profit, while increased inventories in connection with the conversion of the factories have impacted cash flows negatively. The cash flows were unusually high in 2019/20 seen in relation to the operating profit, with a positive effect from a decrease in working capital. Cash flows to investing activities amounted to DKK 165 million against DKK 159 million for the previous year. Both years have been affected by high investment activity. In 2020/21, investments were driven by the conversions of the factories, while last year they were driven by the conversion of factories combined with company acquisition (Unicell). Cash flows to financing activities were on a par with the previous year and amounted to DKK 129 million, with DKK 83 million concerning repayments on leasing liabilities, DKK 29 million in distributed dividends and the remaining DKK 17 million constituting increases cash and cash equivalents.

Cash and cash equivalents amounted to DKK 157 million against DKK 137 million last year.

Events after the end of the financial year

In November 2020, Flügger entered into an agreement to acquire 70% of the shares in Eskaro Group AB. The final conclusion of the acquisition was pending the competition authorities' approval, and the parties received the final approval in May 2021. The transaction has thus been concluded. No other events have occurred after the end of the financial year which materially affect the contents of this annual report.

Cost development

DKK million	2019/20	2020/21	Change
Production costs	- 897	-947	6%
Gross profit/loss	998	1,215	22%
Sales and distribution costs	- 732	-808	10%
Administrative expenses	-178	-185	4%
Other income/costs	-5	6	-
Operating profit, EBIT	83	228	174%

Balance sheet

DKK million	30.04.20	30.04.21	Change
Intangible assets	183	175	-4%
Property, plant and equipment	687	757	10%
Financial assets	-	28	-
Deferred tax asset	18	13	-28%
Inventories	299	344	15%
Receivables	366	368	1%
Securities, cash and cash equivalents	138	157	14%
Total assets	1,691	1,842	9%
Equity	787	951	21%
Deferred tax	21	9	-57%
Leasing obligation	406	386	-5%
Bank debt etc.	32	16	-50%
Suppliers	189	220	16%
Income tax	20	39	95%
Other payables	236	221	-6%
Total liabilities	1,691	1,842	9%

Cash flow statement

DKK million	30.04.20	30.04.21	Change
Cash flows from operating activities	272	313	15%
Cash flows to investing activities	- 159	-165	3%
Cash flows to financing activities	-126	-129	278%
Cash and cash equivalents, year-end	137	157	14%



Effect of COVID-19

The past year has been dominated by the COVID-19 pandemic, which has obviously given rise to a large number of challenges for the organisation, but it has also increased the demand for our products. The effect has differed widely in the countries in which Flügger has activity. While some countries implemented a complete lockdown in periods, there were high growth rates in other countries. The year has also been marked by large fluctuations in exchange rates, where in particular the Norwegian krone was hit hard and then recovered.

Digitalisation and e-commerce

Flügger has shown that its digitalisation already functions in many processes, as everyday working life could largely be maintained as before, even though many functions were forced to work from home. The pandemic also meant that the development of e-commerce solutions was speeded up so that we could secure our customers' deliveries in case stores were forced to close down in periods.

Effect of COVID-19 on sales

During COVID-19, many consumers chose to initiate DIY projects, and we have therefore experienced increasing demand, especially from consumers in the Danish and Swedish markets and to a slightly lesser extent in the Norwegian and Polish markets. At the same time, professional painters have been able to maintain a high activity level.

Effect of COVID-19 on costs

Profit for the year has been affected by a number of additional costs for, among other things, logistics in connection with the receipt and delivery of goods, as well as additional payroll costs resulting from an increase in the number of employees furloughed/absent due to illness. At the same time, the restrictions have resulted in cost reductions due to reduced travel activity and cancelled customer events.

Prices of raw materials and purchased goods for resale varied greatly during the year, but especially in the second half of the year prices increased, driven by the combination of higher demand and lower supply due to delivery and production challenges faced by many sub-suppliers.

Estimated effect of COVID-19

We have estimated that COVID-19 has contributed approximately 4-5% revenue growth and 1-2 percentage points to the EBIT margin. The estimate is based on how much the following conditions deviated from the projected figures before COVID-19:

- Revenue from consumers
- Distribution costs
- Travel and entertainment
- Marketing events
- Payroll costs, production

Quarterly analysis – Q4 2020/21

A seasonal business

Flügger runs a seasonal business with large fluctuations in customer intake and which products have the primary interest. Flügger has a non-calendar financial year, in which Q1 – May, June and July – is characterised by customers especially demanding outdoor products.

Q1 is normally the most profitable quarter of the year due to a better customer and product mix. In Q2 – August, September and October – demand decreases, which is weather dependent.

Q3 – November, December and January – represents the off-season and is often a loss-making period. In Q3 2020/21, Flügger succeeded in achieving a positive EBIT for the first time. Q4 – February, March and April – is highly dependent on the weather, not least during Easter week. The period is most often a profitable period with sales of both indoor and outdoor products.

Inventories are typically highest in early May and lowest in early September. Correspondingly, liquidity is highest in September and lowest in May.

Q4 2020/21

Sales development

Consolidated revenue was DKK 550 million in Q4 against DKK 522 million in the same period in the previous year, equal to a growth rate of 5%. Growth in local currency was 4%, while the development in exchange rates had a positive revenue effect of 1%.

Revenue decreased by 1% in both Denmark and Sweden relative to the same period in the previous year. Both countries were affected by sales to consumers and private labels to builders' merchants decreasing to a more normalised level relative to very high sales figures in the same area in Q4 2019/20. Especially the outdoor paint category was affected, one reason being an unusually cold spring.

Norway saw 7% revenue growth in the quarter. The reason for the increase is that the Norwegian krone strengthened relative to the same quarter of the previous year. Revenue increased by 10% in Poland. Stated in local currency, revenue increased by 14%. The increase should be seen in light of Q4 of the previous year being negatively impacted by COVID-19 restrictions.

Sales to other countries saw a significant increase. Firstly, the area continued a good trend from previous quarters, and secondly the basis of comparison from Q4 of the previous year was very low, one reason being that stores in China were closed by order of the authorities for much of the quarter as a result of COVID-19.

Development in profit

Consolidated gross profit increased by DKK 41 million in Q4, driven by organic growth as well as by efficiency improvements in production and procurement. In addition, Q4 of the previous year was affected by write-downs on inventories etc.

The Group posted an EBITDA of DKK 73 million relative to DKK 59 million the previous year. Both quarters were characterised by one-off costs for restructuring measures and acquisitions at a level of DKK 10 million.

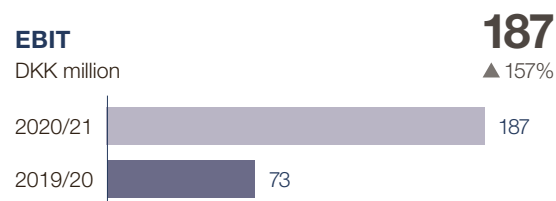
Profit after tax in Q4 increased from DKK 21 million to DKK 27 million.

Group, DKK million	2019/20				2020/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	514	475	384	522	629	549	434	550
Gross profit/loss	294	257	185	262	361	310	239	303
EBITDA	98	69	-14	59	160	102	32	73
EBIT	67	38	-47	26	124	76	-	28
Profit/loss before tax	64	35	-48	25	124	74	-2	25
Profit/loss after tax	50	28	-39	21	98	59	-3	27
Net cash and cash equivalents	207	223	40	105	213	225	195	141
Equity	791	786	781	787	895	915	923	951
Year-end exchange rate, SEK 100	70	70	70	70	72	72	74	74
Year-end exchange rate, NOK 100	76	73	73	67	69	67	72	75
Year-end exchange rate, ISK 100	6	5	5	5	5	5	5	5
Year-end exchange rate, PLN 100	174	175	174	165	169	161	164	163
Year-end exchange rate, CNY 100	97	95	97	97	90	95	95	95

Segments in Flügger

SEGMENT 1

The segment comprises the Group's historical core business, which primarily sells Flügger products and secondarily PP, Stiwex and Fiona. Sales are made through own stores or dealers that have close collaboration with Flügger group A/S.



In terms of local currency, growth was highest in Denmark and Poland, at 12% and 13% respectively. Revenue increased by 5% in Sweden and 7% in Norway in local currency. Sales – other countries saw a large increase of 16%, partly driven by China, which had a low basis of comparison as all stores were closed down completely in Q4 2019/20.

DISTRIBUTION CHANNELS

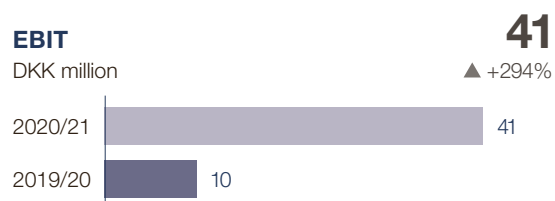
Own stores and franchise stores.



Change in segments: As at 1 May 2020, Flügger changed its segment division, and the PP professional paint chain of stores is now part of segment 1. Reference is made to Note 4 for further information.

SEGMENT 2

In the past year, the Group has intensified its focus on independent dealers and builders' merchants, which sell the trademarks Yunik, Primacol, Lux Decor or private labels. Sales are characterised by large customers with lower gross margins as well as significantly lower distribution costs, as there are no costs for store operations.



40% of the revenue growth was related to the acquisition of Unicell International, while 4% came from organic growth. Especially acquired Unicell International contributed positively to the increasing earnings.

DISTRIBUTION CHANNELS

Builders' merchants and dealers.



SEGMENT 3

From the 2021/22 financial year, Eskaro Group AB will be part of a newly established segment 3. Eskaro's products consist of a mix of Eskaro's own trademarks as well as private labels. The sales channels vary from country to country, but include both sales to builders' merchants and own stores. Geographically, the segment is limited to Finland, Estonia, Latvia, Ukraine, Russia and Belarus.

In 2020, Eskaro generated revenue of approximately DKK 390 million, and EBIT was DKK 23 million. EBIT was affected by one-off costs of approximately DKK 7 million.

DISTRIBUTION CHANNELS

Builders' merchants, dealers and own stores.



Flügger ready for growth journey with Eskaro

On 24 November 2020, Flügger entered into an agreement to acquire 70% of the shares in Eskaro Group AB. The acquisition was finally concluded on 14 May 2021, and both companies are now looking forward to embarking on a journey of growth together.

The acquisition of a majority stake in Eskaro is part of Flügger's strategy to intensify its focus on creating growth outside Scandinavia. With the acquisition of Polish Unicell in autumn 2019, Flügger significantly strengthened its position in the DIY segment on the Polish market, and with the acquisition of Eskaro, Flügger is now establishing a foothold on new Eastern European markets.



"We're very pleased that the acquisition has been approved, and we're looking forward to developing both Flügger and Eskaro. First of all, we're thrilled to welcome the more than 1,100 Eskaro employees into the Flügger Group," says Sune Schnack, CEO of Flügger group A/S.

With the acquisition of a majority stake in Eskaro, Flügger will have access to new emerging markets and a solid basis in the DIY sector in Ukraine, Russia, Belarus, Estonia, Latvia and Finland, where Eskaro sells most of its products to dealers, builders' merchants and other retail stores.

"With Eskaro's leading position in the DIY segment and their strong presence in several markets in Eastern and Central Europe, they're a strong player and a great match for Flügger. Flügger has a strong position in our main markets Denmark, Sweden, Norway and Poland, and we're looking forward to gaining valuable insights into the Eastern and Central European markets, being able to learn from Eskaro's talented employees, sharing experiences and further developing our companies," says Sune Schnack.

Igor Chumakov, founder and CEO of Eskaro Group, adds: "Eskaro's ambition is to achieve leading positions in all our markets. Our joining the Flügger Group gives us new opportunities and is an investment in Eskaro's future, and we're looking forward to starting the journey."

Eskaro will function as an independent company, and the day-to-day management will continue to be handled by the existing management team in Eskaro.

Eskaro operates six factories in five countries (Ukraine, Russia, Belarus, Estonia and Finland) as well as 15 distribution centres, from which goods are distributed for export etc.



Facts about Eskaro Group AB

- Employs approximately 1,100 people in six countries
- Produces approximately 30 million litres of products annually
- Is ISO 9001 and ISO 14001 certified
- Has operated in Finland since 1975 and in the other five countries since the 1990s
- Operates six factories in five countries (Ukraine, Russia, Belarus, Estonia and Finland) as well as 15 distribution centres
- In 2020, Eskaro generated revenue of just under DKK 390 million, and had an EBIT of DKK 23 million. However, EBIT contains a number of one-off costs from the integration of the company acquired at the beginning of the year. Adjusted for one-off costs, EBIT would have been approximately DKK 30 million.

The Flügger share

Why is Flügger listed?

Flügger is a family-based company whose class B shares were listed on the NASDAQ Copenhagen A/S exchange in autumn 1983 at a price of DKK 875 per share (DKK 52 per share adjusted for bonus shares and share splits). The company's class A shares are not listed on the stock exchange, but are owned by the original owner family.

The primary reason for the listing was to give the company, which has substantial domestic market sales, the attention and PR value that a listed company receives. A secondary motive was to make it possible for family members who were not active in the company to sell their shares.

The company's ambition is to remain a listed company, as this is regarded as contributing to the marketing, to professional leadership and to making the company a credible attractive workplace. After the company has again chosen to make relevant acquisitions, the listing also offers more financial opportunities.

Share buy-back

The company has previously used surplus liquidity to make share buy-backs, but in recent years it has refrained from making further share buy-backs, as the liquidity in the Flügger share has been low. In future, the company's own shareholding of more than 100,000 shares is expected to be used for allocation among employees as well as for option programmes for senior executives.

Dividend policy

The company's policy has been to distribute a relatively high dividend seen in relation to the market price and market rate with due consideration being made for the company's capital structure.

For the 2020/21 financial year, the Board of Directors recommends to the General Meeting that dividend of DKK 15 per share of DKK 20 be distributed.

Share capital and ownership structure

Composition of share capital – 30 April 2021

No. of shares	Shares	%	Votes	%
Class A shares	590,625	19.7	5,906,250	72.0
Class B shares	2,300,739	76.7	2,300,739	28.0
Class B shares in the company ¹	108,636	3.6	-	-
Total	3,000,000	100.0	8,206,989	100.0

Ownership structure – 30 April 2021

Major shareholders (>5%)	No. of shares	%	Votes	%
Susan Schnack	150,069	5.0	150,069	1.8
Ejendomsselskabet CASA A/S	800,772	26.7	800,772	9.6
Ulf & Sune Schnack ²	1,358,308	45.3	6,673,933	80.3
Total	2,309,149	77.0	7,624,774	91.7

¹ Class B shares in the company (the company's own shares) are not included in the number of votes, as voting rights cannot be exercised for these shares.

² Ulf and Sune Schnack (father and son) together own a total of 1,358,308 Flügger shares, of which 590,625 are class A shares, and 720,610 class B shares are held by SUS 2013 ApS (Flügger Holding).

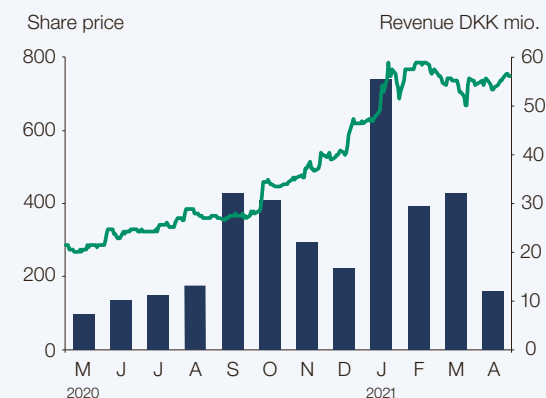
At the end of the 2020/21 financial year, 1,725 shareholders were registered by name in the company's register of shareholders, which together owned 97.3% of the share capital and held 99.0% of the votes.

Communication with investors

The company publishes regular quarterly reports and financial statements for the market containing accounting figures and revised forecasts for the future, where necessary. These can be viewed on the company's website at www.flugger.com under the item Investor.

The company seeks to maintain a high and reliable level of information, and is keen to participate in open and active dialogue with investors, analysts and the press. However, the company refrains from giving any detailed interviews or announcements during the last four weeks prior to the publication of financial reports.

Price development and monthly trading volume for Flügger shares during the 2020/21 financial year



— Flügger share price in 2020/21 financial year
 ■ Monthly turnover of the Flügger share in DKK million at market price in the 2020/21 financial year

source: Nasdaq Copenhagen

DKK million	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Share data, year-end*										
Market price, DKK	345	327	340	390	359	372	352	300	290	749
Number of outstanding shares, 1,000 shares	2,904	2,902	2,878	2,877	2,877	2,877	2,881	2,887	2,887	2,891
Market capitalisation, DKK million	1,002	949	979	1,122	1,033	1,070	1,014	866	836	2,167
Equity value, DKK million	774	824	838	859	811	797	760	742	754	911
Net profit/loss after tax and minority interests, DKK million	22	49	76	54	13	29	33	32	58	171
Proposed dividend per share of DKK 20	6	9	13	15	15	15	15	10	10	15
Earnings per share (EPS) after tax, DKK	8	17	26	19	5	10	12	11	20	59
Price/book value (P/BV), DKK	1.3	1.2	1.2	1.3	1.3	1.3	1.3	1.2	1.1	2.3
Price/earnings ratio (P/E), DKK	45	19	13	21	78	37	30	27	14	13

Definitions

Outstanding shares

The total number of shares, less the company's own holdings, is used when calculating share data

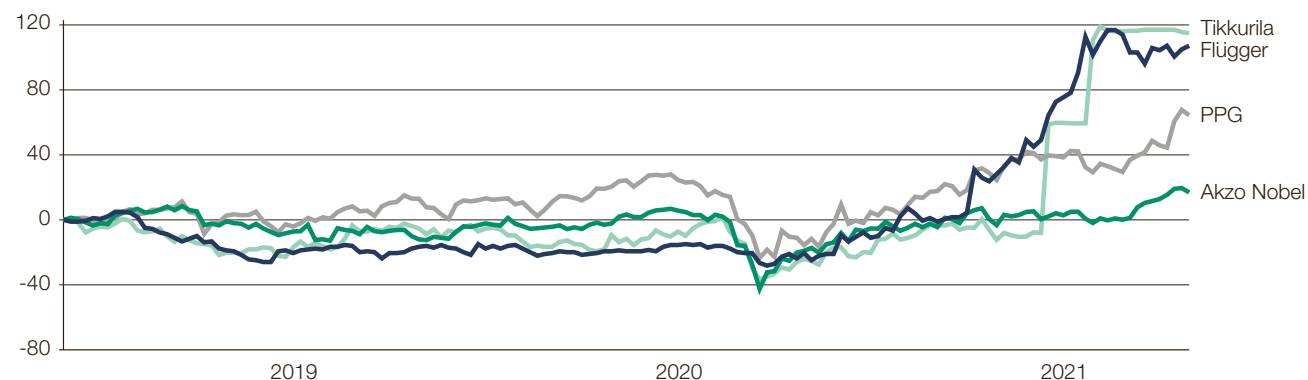
The company's market capitalisation
Number of outstanding shares
(including class A shares) x share price

Net profit/loss for the year after tax and minority interests per share, DKK
Net profit/loss for the year after tax and minority interests, distributed on outstanding shares

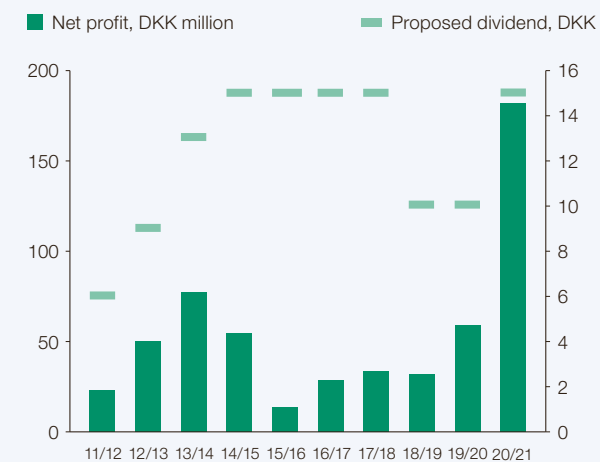
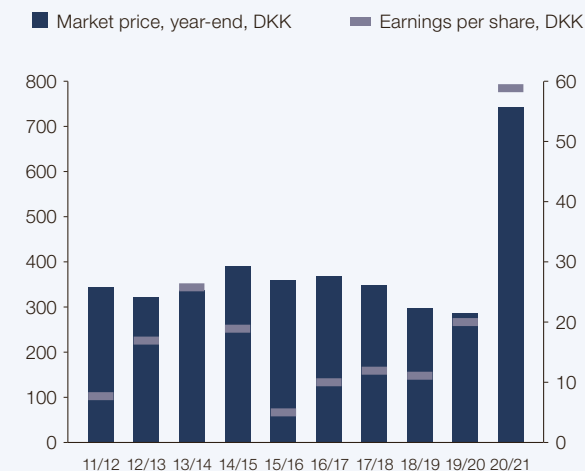
Equity value, DKK
Equity excl. minorities

* Financial ratios have been calculated according to the recommendations of CFA Society Denmark.

Flügger share price compared to selected competitors



Source: morningstar.com/stocks/xcse/flug%20b/quote



Flügger – in brief

Flügger is an international group that operates in the sector for building paints and accessories for the painting profession. Flügger's main markets are Denmark, where the group is the market leader, as well as Sweden, Norway and Poland. In addition, we have activities in China and exports to other countries such as France and Russia. Over the past few years, we have further intensified our focus on geographic expansion, and through two major acquisitions in 2019 and 2021, we are expanding our activities to a number of new markets in Eastern Europe. Eskaro, which was acquired in May 2021, is not included in the statements below.

Flügger develops, produces, markets and sells a wide range of building paints, wood stains, fillers, wallpapers and accessories. Flügger has been on a long journey towards becoming an increasingly sustainable producer. In recent years, we have taken specific measures to realise our ambitions to create an even more sustainable Flügger by 2030.

Our target groups are professional painters and private consumers. We see it as our key task to develop and deliver products and solutions that enable our customers to deliver high-quality results as efficiently as possible.

Our primary brand is Flügger, but we also develop and sell private labels to builders' merchants through the Yunik brand. We produce our own brushes in our factory in Sweden as well as design wallpaper through our Fiona brand. Flügger also owns and operates the Danish chain of wholesalers PP professional paint A/S as well as the DETALE CPH brand, which produces dyed filler products that give a raw and modern look to walls, floors and furniture.

Our passion for paint and good craftsmanship is deeply anchored in our history, which spans several centuries and has roots dating back to 1783.



73

We became Danish-owned 73 years ago, but we have existed in Denmark since 1890 and have German roots dating back to 1783.



17

We sell our products in a total of 17 countries in the Nordic region, Europe, Eastern Europe and China.



6

We have a total of six production facilities that produce paints, fillers, buckets, brushes, paint trays, wallpaper etc.



1,711

We have a total of 1,711 employees, or 1,527 full-time employees, on average. Of these, about half work in our stores.



372

Our chain consists of a total of 372 stores. Of these, approximately two thirds are owned by Flügger, while one third is owned by franchisees.

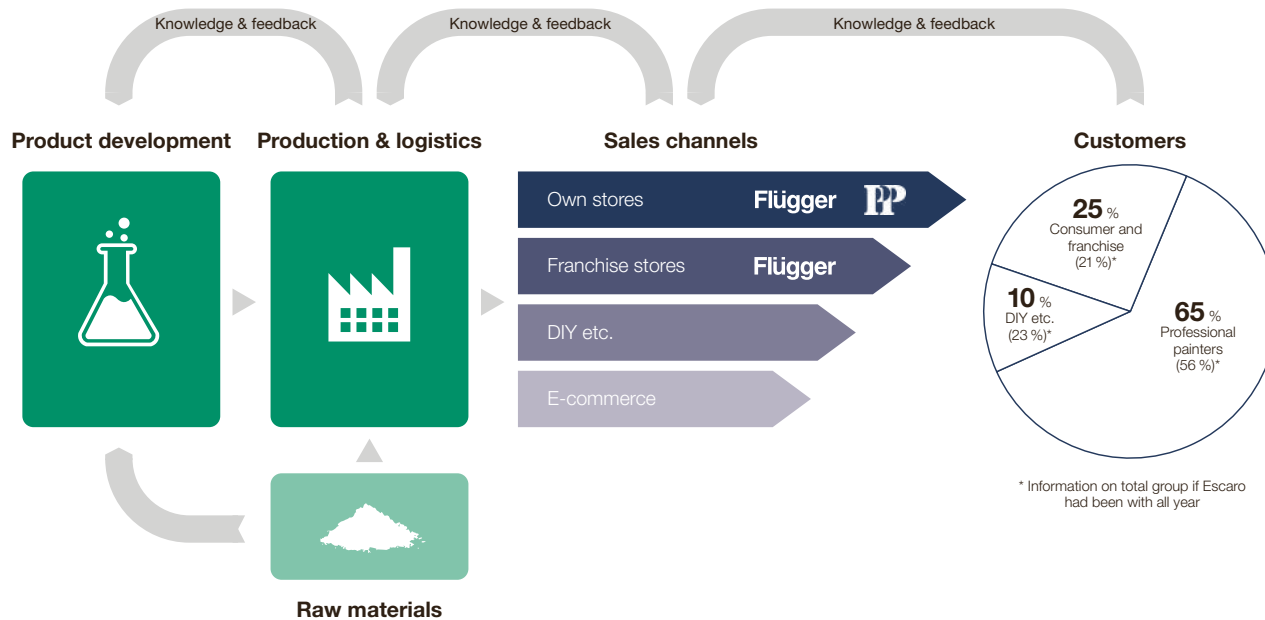
Business model

Flügger's business model is built on the basic premise that good quality requires management and ownership throughout the value chain. We therefore design and improve our products in a central development department, manufacture our products in our own factories and follow the products all the way to the stores, where our employees supervise and assist the customer in achieving an optimal end product.

But the flow is not only from production to end user. Our network of stores means that we quickly acquire valuable knowledge about our customers' needs and consumption. We use this feedback to develop and produce new products.

Our total value chain is unusual in a Danish and European context, where most of our competitors focus specifically on either sales or production. We believe that our business model contributes to our ability to maintain high-quality products and services, to meet our customers' requirements and to protect the Flügger brand.

Following the acquisition of Eskaro in May 2021, builders' merchants will come to occupy a relatively larger share. The distribution of customers, in which Eskaro is included, is shown in brackets in the model below.



Risks

Flügger is exposed to a number of different risks, which vary according to customer segment, market and product area. The Board of Directors and Executive Board regularly consider the Group's overall risk profile and significant isolated risks.

The object of the Group's risk management is to identify and assess relevant risks and, if possible, to reduce them and minimise or control their impacts.

The Board of Directors is responsible for the Group's risk policy and assesses the Group's overall risk profile with the Executive Board on a continuous basis. The Executive Board is responsible for identifying, assessing and quantifying the risk development and handling day-to-day risks.

Risk management and reporting

Flügger's risk management model is divided into production, sales and cross-group functions. This ensures that all functions in the organisation focus on identification and management of the relevant risks on an ongoing basis.

Flügger's risk matrix

Flügger's risks have been entered in the risk matrix based on the probability of their occurrence and their impact on the financial results if they occur. The risk scenario has been reduced relative to 2019/20, when there was great uncertainty about the impact of COVID-19.



RISK	DESCRIPTION	POSSIBLE EFFECT	ACTION
<p>1 Availability and price development for raw materials and packaging</p>	<p>Flügger is dependent on the availability and price development of raw materials. This applies, in particular, to titanium dioxide, binders and fly ash, which are key ingredients in the production of paints and fillers. In spring 2020, there was great uncertainty about delivery capacity due to COVID-19. This uncertainty made itself felt in spring 2021, where we experienced challenges with availability and large price increases in prices of raw materials.</p>	<p>Rising prices of raw materials are difficult to pass on directly to selling prices in the short term, and the opposite is the case in connection with falling prices of raw materials.</p> <p>A shortage of key raw materials may lead to inexpedient production flow, backorders and lost revenue.</p>	<p>Flügger has entered into agreements with at least two suppliers for all key raw materials, to be in the strongest possible position in relation to individual supplier's price increases or inability to deliver. Changes in the prices of raw materials are also closely monitored, so we can react quickly in the event of significant changes. Selling prices were increased extraordinarily as at 1 May 2021 to compensate for rising prices of raw materials.</p>
<p>2 Regulatory changes may affect production processes and product formulas</p>	<p>Requirements in relation to product contents, carbon footprint, environmental impact and labelling are constantly changing. Therefore, we must always keep one step ahead of new requirements – regardless of whether they are introduced directly through legislation, or as requirements from customers.</p>	<p>Changes to product formulas, labels etc. may affect production costs. If alternative products are not developed in time, there may also be a risk of loss of revenue.</p>	<p>We are continually working to update product formulas and improve production facilities, so they can meet more rigorous future regulatory requirements.</p>
<p>3 Changes in customers' consumption patterns</p>	<p>We are seeing general trends towards urbanisation, digitalisation and fewer, larger stores. The demand for environmentally-friendly solutions will change the product mix and drive the development of new solutions.</p>	<p>The ability to meet the customers' changing expectations determines whether market shares are lost or captured in the long term.</p>	<p>In order to remain at the forefront of these trends, Flügger has been consistently consolidating its network of stores in recent years, by approx. 5-15% per year. In addition, there is still focus on digitalisation and e-commerce to enable Flügger to meet customer needs.</p>
<p>4 Exchange rate fluctuations</p>	<p>Flügger's revenue, earnings and net investments in foreign subsidiaries are constantly affected by exchange rate fluctuations.</p>	<p>Flügger is naturally hedged against exchange rate fluctuations in Denmark and Sweden, as both sales and production are in the same countries. For Norway, Poland, China and the export markets, where there is no major production, there is increased exposure. The acquisition of Eskaro will, on the one hand, increase exposure to several currencies, but on the other hand the effect from individual currencies will be reduced as the total revenue increases.</p>	<p>Exchange rate fluctuations can be mitigated through price increases, but it typically takes 1-3 months to implement price increases, depending on the customer segment. In some cases, currency exposures are hedged by means of financial contracts if the exposure is regarded as exceeding acceptable levels.</p>
<p>5 IT system breakdowns or cyber attacks</p>	<p>Flügger's operations are dependent on stable IT systems to ensure that production is continuously geared to demand. A crash may affect the ability to produce, invoice and deliver.</p>	<p>Extended downtime for IT systems – whether caused by internal factors or external attacks – may have significant financial consequences.</p>	<p>We continuously ensure resilience of the systems. This includes making sure that there is a solid platform for systems hosted by external partners. We have also taken out basic insurance cover to reduce cyber crime risks.</p>
<p>6 Market recession</p>	<p>In the past year, the market for building materials and paints in particular has been positively affected by increased demand. The demand is expected to continue the positive trend in the coming year, but there is greater uncertainty about how the market will normalise. Has the market been saturated with paint, or has COVID-19 led to a persistent greater focus on house projects?</p>	<p>A market recession will obviously affect revenue and earnings, but the extent is difficult to determine. By comparison, Flügger's revenue fell by 6% during the financial crisis, and earnings were halved. However, revenue and earnings had normalised within 18 months.</p>	<p>In the 2020/21 financial year, we have seen a significant impact on our business as a result of the outbreak of COVID-19, in terms of increased sales to consumers as well as reduced sales due to closed stores and weak demand from professional painters. For the 2021/22 financial year, Flügger expects to continue to be exposed in both positive and negative directions. In the medium term, there is a risk of increased losses on receivables and declining demand, especially from the professional segment.</p>

Strategy and corporate social responsibility





Going Green: Our strategy for further growth

In recent years, Flügger has embarked on a journey from being a manufacturer of paints towards becoming a supplier of customised solutions. To ensure continued momentum and the development of Flügger in a sustainable direction, both as a business and environmentally, we launched the Going Green strategy in summer 2020.

A platform for profitable growth

In recent years, we have worked determinedly on creating a platform for profitable growth, and through our efficiency programme, we have focused on reducing the group's costs and streamlining processes across the organisation. The financial target of the efficiency programme was an annual cost reduction of more than DKK 60 million when the programme had been fully phased in. We met this target already last year, but we are continuing the work to run a business that is as efficiently and financially viable as possible.

Focus areas and sustainability targets of the strategy

The strategy contains six overall focus areas and three sustainability targets. The strategic focus areas and underlying strategic initiatives are reviewed and evaluated by the group management as needed and at least once a year. This process was implemented in connection with Sune Schnack taking up the position of CEO in Flügger on 1 April 2021. The focus areas of the strategy are crucial to future growth in Flügger and to meeting the Group's targets in 2023/24.

The packaging for Flügger's Wood Tex series, which are outdoor wood stains, contains 50% recycled plastic.

Updated targets for 2023/24

After a historically strong 2020/21, in 2020/21 we chose to upgrade our targets for 2023/24 from a projected revenue of DKK 2.5 billion and an EBIT margin of +6% to a projected revenue of DKK 3.5 billion and an EBIT margin of 10%.

Flügger has furthermore set a goal of maintaining returns of capital employed (ROCE) of more than 18%. ROCE is at 20,7% in 2020/21, which is an increase of 13 percentage points compared to the previous year.

In the 2019/20 financial year, Flügger also defined three short and long-term sustainability targets. Towards 2030, Flügger will work to achieve a carbon neutral production, the use of 75% recycled plastic in our packaging and the production of 100% sustainable paints labelled with either an international or a Nordic ecolabel. You can read more about our climate and environmental objectives and targets on pages 26-27 and in Flügger's CSR report, which you will find on www.flugger.com/file/csr-report-2020-21.

Strategy execution and follow-up

Going Green sets the framework for the coming years' actions aimed at further developing Flügger in the transformation from manufacturer of paints to supplier of solutions. Over the past year, we have achieved positive results in respect of a wide range of initiatives, which is elaborated on further on the following pages.

Going Green: Our six strategic focus areas

1. VALUE-BASED PRICING



Fair prices for our services

We want to increase our competitiveness through a transparent, fair and simple pricing structure. The pricing structure will be based on the customer's perceived value. At the same time, we want to increase our earnings by reducing production and procurement costs. This will be achieved by pooling production in fewer factories, by renegotiating procurement contracts and by optimising the formulas for a number of products.

HIGHLIGHTS FROM 2020/21

- Increase in gross margin despite rising prices of raw materials, including through improved formulas and procurement contracts

FOCUS IN 2021/22

- Continued focus on adapting our pricing structure, including ensuring fair prices/discounts based on customer types as well as volume
- Mitigating the effect of commodity price increases by optimising product formulas and renegotiating procurement contracts
- Ensuring that efficiency improvements from production optimisation either result in an increasing gross margin or increased sales due to improved competitiveness

2. STORE PORTFOLIO



Top priority to serving our customers

We will continue to work to ensure the best possible geographic locations of our stores, so we have the best conditions for servicing our customers. We will also continue to expand and strengthen our franchise network in the Nordic region to further strengthen sales to private individuals.

HIGHLIGHTS FROM 2020/21

- Launch of joint Nordic franchise setup, Flügger farver +
- Establishment and opening of a total of 19 new franchise stores in the Nordic region and expansion of existing franchisees' involvement
- Optimisation of own network of stores

FOCUS IN 2021/22

- Optimising geographic locations of own stores in the Nordic region
- Increasing the number of franchise stores across markets
- Increasing the share of sales on digital platforms

3. COMPOUND GROWTH



Striking the right balance between organic growth and growth through acquisitions

The past year has been marked by consolidation in the building painting market and a continued battle for market shares in and outside the Nordic region. Our ambition is to maintain our leading position in the Nordic region and to consolidate and increase our market shares in Eastern and Central Europe.

Organic growth must be achieved through optimisation of our product range, launch of new, environmentally-friendly products and investments in production, marketing and digitalisation, among other areas. Inorganic growth will come primarily from the acquisition of Eskaro as well as continued evaluation of new acquisition prospects.

HIGHLIGHTS FROM 2020/21

- Agreement to acquire a majority stake in Eskaro Group AB
- Adjustment of setup in China

FOCUS IN 2021/22

- Exploiting synergies in the DIY segment
- Continued evaluation of possible acquisition prospects with focus on Central and Eastern Europe
- Strategic direction for China + Asia

4. PRODUCTION AND DISTRIBUTION



Consolidation of production and distribution

In recent years, Flügger has invested approximately DKK 80 million in a new, modern filler factory in Sweden, which means increased automation and trebled capacity. In parallel, we are investing approx. DKK 130 million in modernising our factory in Kolding, which means increased automation and the possibility of producing more environmentally-friendly products. With the conversion, we are also increasing our capacity and delivery flexibility. Going forward, we will update and streamline our logistics solutions through more modern distribution centres and through faster and more environmentally-friendly transport.

HIGHLIGHTS FROM 2020/21

- Relocation of latex production from Bollebygd, Sweden, to Kolding
- Construction of new filler factory in Sweden
- Launching initiatives to reduce CO₂ emissions from our production and to reduce the quantity of wastewater
- Increased use of recycled plastics, for example in paint trays, brushes etc. and a marked increase in the number of ecolabelled products

FOCUS IN 2021/22

- Start-up of new filler factory in Sweden
- Implementation of new wastewater treatment plant in Kolding, continued focus on reducing CO₂ emissions in production and on reducing the quantity of waste and wastewater
- Continued focus on development and implementation of new delivery solutions that support and meet customers' needs and requirements

5. ASSORTMENT AND STOCK



Optimising product lines and stock management

Our customers must be able to get the goods they need, whether they shop in one of our physical stores or online. In 2020/21, we focused on streamlining our range and improving our inventory management. We will continue this work in 2021/22. We are also working to integrate several of Unicell's products in our joint product portfolio.

HIGHLIGHTS FROM 2020/21

- In the past 12 months, the number of old product items has been significantly reduced, while the stock turnover rate has generally been increased
- The process of phasing products in and out has been optimised
- The phasing-out of a wide range of products with limited turnover has been initiated

FOCUS IN 2021/22

- Implementing the core range in all Flügger stores and online
- Implementing new inventory management model for the stores
- Continuing the phasing-out of products that generate limited revenue

6. DIGITALISATION



Closer to our customers and their needs

In the past year, we have put extra focus on digitalisation as an important prerequisite for developing solutions and services to help our customers streamline and facilitate their working day, as well as to guide and inspire their choice of products.

We want increasingly to incorporate digitalisation in all relevant processes. Through digitalisation, we will develop value-adding tools and services that can help professional customers optimise their business, thus creating stronger relations with our customers.

HIGHLIGHTS FROM 2020/21

- Developing and implementing our BtB e-commerce platform in all countries
- Further development of BtC platform

FOCUS IN 2021/22

- Developing benefits programme/loyalty programme
- Redesigning our BtC platform with focus on the user experience
- Developing Click & Collect

Sustainability in Flügger

Paint helps beautify and preserve what we love and ensure that its life is extended. There may be great value – both from a sentimental and an environmental point of view – in preserving and keeping something rather than discarding it in favour of a new acquisition. However, the production of paints and packaging, transport etc. impact the environment. As a producer, we therefore have a responsibility for doing what we can to reduce that impact.

For many years, Flügger has been on a journey towards becoming an increasingly sustainable manufacturer of paints and accessories. Especially in the past year, we have focused on systematising and establishing benchmarks for the way we work with sustainability.

The time when paints contained solvents and large quantities of other harmful chemicals is fortunately long gone. In Flügger, we have made an active choice to replace oil-based and solvent-based paints with water-based paints. We are even

taking one step further and have set a goal solely to produce sustainable paints by 2030. For us, this means that all our paints must be ecolabelled under an international or Nordic ecolabel by 2030. The ecolabels are our customers' guarantee that the products are among the environmentally best in their category and that they meet stringent environmental and chemical requirements. This year, 73% of our paints are ecolabelled, which is an increase from 11% since 2015/16. Our target is that 80% of our paints will be ecolabelled in 2023/24, and that this will apply to 100% of our paints by 2030.

However, the proportion of ecolabelled products is just one of many sustainability sub-targets in our Going Green business strategy. The strategy that we launched in summer 2020 defines our business goals and also marks the start of a sustainable transformation of Flügger over the next decade. It contains specific focus areas and sustainability goals in the short, medium and long terms. The pivot for sustainability in our strategy are our three overall targets in Production, Packaging

and Paint. These are the areas in which we have a special obligation and opportunity to push towards a more sustainable development. For each of the three areas, we have an overall 2030 target which we will be working towards:

- carbon neutral production
- using 75% recycled plastic in our packaging
- producing 100% sustainable paints labelled with either an international or a Nordic ecolabel

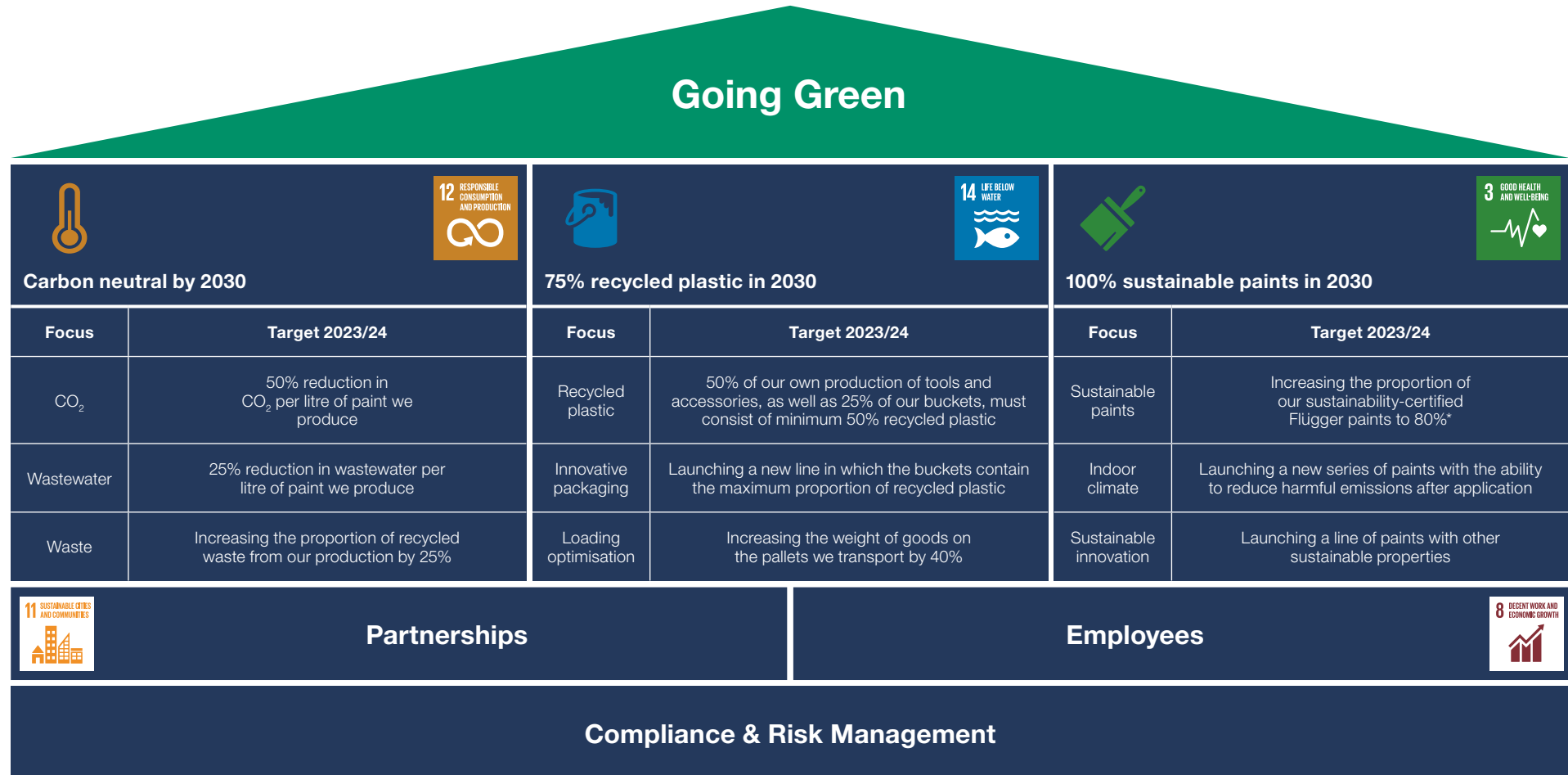
In accordance with the Sustainable Development Goals, we have chosen 2015 as the base year for our initiatives and actions. As part of our strategy, we have also set sub-targets for our initiatives and actions in 2023/24.

We have got off to a good start in a turbulent and unusual year. During the year, our work has included anchoring of the strategy, so that everyone in Flügger knows in which direction we are moving and how each of us can contribute to an even greener Flügger.



Read more about our sustainability and accountability work in our CSR report, which, in addition to being our first separate CSR reporting, also marks Flügger's first year of working with our Going Green strategy. The report also contains the mandatory Section 99 a account for Flügger group A/S in accordance with the Danish Financial Statements Act (Årsregnskabsloven). The report can be accessed here: www.flugger.com/file/csr-report-2020-21.

Our three sustainability focus areas



*International or Nordic ecolabelling

A colourful partnership – Copenhagen 2021

Flügger has entered into a partnership with Copenhagen 2021 and is thus the official principal partner at WorldPride & EuroGames in Copenhagen and Malmö from 12-22 August 2021. Together with Copenhagen 2021 and through this partnership, Flügger wants to focus on dialogue as a path towards the creation of a greater understanding of equality and diversity.

