

# ITAB

## YEAR-END REPORT

JANUARY - DECEMBER 2018

# Q4

### OCTOBER - DECEMBER 2018

- Net sales amounted to SEK 1,521 million (1,641)
- Operating profit amounted to SEK -7 million (118)
- Operating profit excluding non-recurring items amounted to SEK 30 million (83)
- Profit after financial items amounted to SEK -28 million (99)
- Profit after financial items excluding non-recurring items amounted to SEK 15 million (64)
- Profit after tax amounted to SEK -39 million (80)
- Earnings per share amounted to SEK -0,38 (0,77)
- Cash flow from operating activities amounted to SEK 223 million (180)
- Net debt amounted to SEK 2 104 Mkr (2 130)

### JANUARY - DECEMBER 2018

- Net sales amounted to SEK 6,031 million (6,381)
- Operating profit amounted to SEK 230 million (500)
- Operating profit excluding non-recurring items amounted to SEK 238 million (465)
- Profit after financial items amounted to SEK 157 million (432)
- Profit after financial items excluding non-recurring items amounted to SEK 171 million (397)
- Profit after tax amounted to SEK 97 million (329)
- Earnings per share amounted to SEK 0,88 (3,11)
- Cash flow from operating activities amounted to SEK 500 million (190)
- Net debt amounted to SEK 2 104 million (2 130)

### IMPORTANT EVENTS JANUARY - DECEMBER 2018

- Streamlining programme and restructuring being implemented, with the aim of managing the change in the retail sector and the effects of reduced sales. To date, the programme has had an impact on profit after financial items amounting to SEK -63 million, which has been charged to Q4 2018.
- The sale of a property and structuring work in Belgium, as well as altered purchase sums for acquisitions, had a positive net impact on profit after financial items amounting to SEK 49 million in 2018, of which SEK 20 million was in Q4.
- Agreement with Coop Spain regarding digital systems and with DollarStore Sverige regarding shop concepts
- The Board of Directors is proposing that no dividend be paid (1.75).



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*Checkout Arena includes the entire checkout area and is an important part of the shop experience. The correct mix of more efficient equipment and systems delivers higher throughput and better choice and service for the consumer.*

# CEO ULF ROSTEDT'S COMMENTS

The market has been extremely challenging and difficult to judge throughout the year. The retail trade is cautious in several markets, largely due to the fact that the sector is changing, but also because of country-specific reasons such as Brexit in the UK. As a result, we have launched a streamlining programme to reduce cost levels, but also to adapt the sales organisation with the aim of increasing sales to the shops of the future. In the longer term, we still have a positive view of the changes taking place in the sector, and are therefore continuing our aggressive initiatives in relation to product development in order to strengthen ITAB's position in the future.



## FOURTH QUARTER

During the fourth quarter, sales decreased by 7% compared to the same period in the previous year. Currency-adjusted sales fell by 10%. The market remains cautious and is more volatile than before, and it is difficult to adapt to this in the short term. During the quarter, we have been affected by a clear reduction in activity in the UK as a result of the uncertainty associated with Brexit.

Profits have been adversely affected by the decline in sales, but also by the price trend for steel, which is one of our most important input goods. The extended streamlining programme has had an impact on profits during the quarter through costs associated with termination of employment and close-down costs, as well as through lower productivity in conjunction with the implementation of the programme.

The cash flow has developed positively during the quarter. This is due in part to the fact that lower sales volumes result in less capital being tied up, but also to focused internal work aimed at making more effective use of working capital.

## JANUARY-DECEMBER

During 2018, sales decreased by 5% compared to the previous year. Currency-adjusted sales fell by 8%. As a result of the declining sales trend, a streamlining programme was launched in 2018. The implementation of the programme resulted in significant costs at the end of the year.

A series of marketing activities have been conducted during the year in the form of product development and sales initiatives. These have been intended to strengthen ITAB's position in the shops of the future, and have resulted in increased sales costs in the short-term.

Sales to our largest customer group, Convenience goods, fell by approximately 4% compared to the previous year, a decline that is principally attributable to the UK and Southern Europe. The customer group Construction and home furnishings

achieved sales on a par with the previous year, whereas the Fashion customer group declined by approximately 10%, principally in Northern Europe. Sales within Other customer groups fell by around 11%, mainly within sport, industry and electronics.

There is growing interest in the part of our offer that is primarily driving the digital transformation in stores, such as Click & Collect and Endless Aisle. Sales of digital products, including self-checkout solutions, amounted to approximately SEK 200 million in 2018, which was an increase of around 40% compared to the previous year.

## STREAMLINING PROGRAMME AND INVESTMENTS FOR THE FUTURE

As a result of a reduced rate of turnover, ITAB launched a streamlining programme during the first quarter, the primary aim of which was to reduce costs. The streamlining programme was further extended as a result of the start of the third quarter being weaker than anticipated.

The streamlining programme is being implemented gradually from 2018, achieving full effect in 2020, with an estimated annual saving of approximately SEK 300 million at a cost of around SEK 75 million before tax. The programme includes both the closing down and merging of operations in several markets, and entails staff cuts amounting to around 400 people.

Some 280 employees have left the business during the year, of which around 150 were in Asia. The remaining staff cuts, amounting to around 120 employees, will principally take place in Europe. The programme also includes streamlining measures in our production facilities, in order to increase flexibility and shorten lead times. Direct restructuring costs have had an impact on profits amounting to approximately SEK 63 million during the year. The positive effects of the programme will gradually emerge during 2019, before achieving full effect in 2020.

At the same time, aggressive initiatives are continuing in relation to new concepts

and products for the shops of the future. Over recent years, ITAB has made considerable investments in product development and initiatives aimed at ensuring that the organisation will be well prepared for the developments that are taking place in the retail sector. Ongoing skills exchanges and changes to the sales organisation are necessary to meet the market's changing demands.

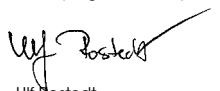
## FUTURE PROSPECTS

As previously notified, the Board of Directors is proposing that no dividend be paid for the 2018 financial year, with the aim of strengthening the balance sheet in the long term. The changes in the sector mean that the market is difficult to judge and extremely volatile in the short term. We are monitoring market trends carefully and maintaining a high tempo in our streamlining and capital rationalisation programmes.

At the same time, we are focusing heavily on winning new customers by marketing our all-inclusive offer even more clearly towards both existing customer categories as well as new, closely related customer groups. All of these measures are intended to manage a more volatile and changing market in the short term, as well as to strengthen ITAB's market position in the long term.

The market is changing, but bearing in mind the restructuring work we are implementing on the sales and marketing side, as well as the fact that our streamlining programme is developing according to plan, I am looking forward to 2019 with confidence.

Jönköping, 5 February 2019

  
Ulf Rostedt,  
Managing Director & CEO  
ITAB Shop Concept AB

# 2018 OVERVIEW

## SUMMARY Q4

- ▶ Net sales decreased by 7 % to 1,521 million (1,668)
- ▶ Operating profit decreased to -7 Mkr (118)
  - Operating profit excluding non-recurring items decreased to 30 Mkr (83)
- ▶ Profit after financial items decreased to -28 Mkr (99)
  - Profit after financial items excl. non-recurr. items decreased to 15 Mkr (64)
- ▶ Earnings per share decreased to -0,38 kr (0,77)

Non-recurring items, Q4, SEK million:

|                                                            |            |
|------------------------------------------------------------|------------|
| Streamlining programme                                     | -63        |
| Negotiations, additional purchase sum, D. Lidner companies | 20         |
| <b>Total non-recurring items, Q4</b>                       | <b>-43</b> |

## SUMMARY 2018

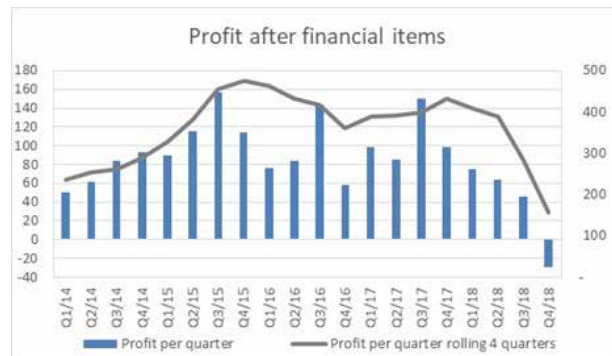
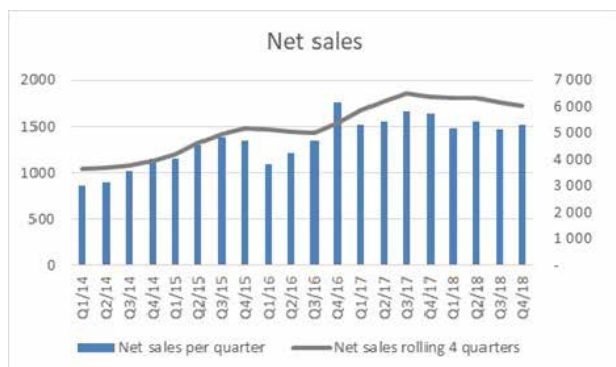
- ▶ Net sales decreased by 5 % till 6,031 Mkr (6,381)
- ▶ Operating profit decreased to 230 Mkr (500)
  - Operating profit excluding non-recurring items decreased to 238 Mkr (465)
- ▶ Profit after financial items decreased to 64 % till 157 Mkr (432)
  - Profit after financial items excl. non-recurr. items decreased to 171 Mkr (397)
- ▶ Earnings per share decreased to 0,88 kr (3,11)

Non-recurring items, 2018, SEK million:

|                                                            |            |
|------------------------------------------------------------|------------|
| Streamlining programme                                     | -63        |
| Sale of property and structuring work, Belgium             | 15         |
| Final negotiations, additional purchase sum, La Fortezza   | 14         |
| Negotiations, additional purchase sum, D. Lidner companies | 20         |
| <b>Total non-recurring items, 2018</b>                     | <b>-14</b> |

## IMPORTANT EVENTS 2018

- ▶ During Q1 of 2018, the Group has been positively impacted with a net effect of SEK 15 million due to the sale of a property and structuring work in Belgium. During Q2 of 2018, final negotiations have taken place regarding the additional purchase sum for La Fortezza, which has had a positive impact on profit of SEK 14 million. During Q4, negotiations have taken place regarding the additional purchase sum for the D. Lidner companies, which has had a positive impact on profit of SEK 20 million.
- ▶ Q4 has been adversely affected by SEK -63 million in respect of costs for the streamlining programme. During the comparison period, Q4 2017, the Group has been positively impacted with a net effect of SEK 35 million due to the revaluation of the additional purchase sum in conjunction with the acquisition of La Fortezza, as well as structural costs.



## ITAB GROUP IN FIGURES

|                                            | 3 MONTHS<br>OCT-DEC<br>2018 | 3 MONTHS<br>OCT-DEC<br>2017 | FULL-YEAR<br>JAN-DEC<br>2018 | FULL-YEAR<br>JAN-DEC<br>2017 |
|--------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net sales, SEK m                           | 1,521                       | 1,641                       | 6,031                        | 6,381                        |
| Operating profit, SEK m*                   | -7                          | 118                         | 230                          | 500                          |
| Operating margin, %                        | neg.                        | 7.2                         | 3.8                          | 7.8                          |
| Profit after net financial items, SEK m*   | -28                         | 99                          | 157                          | 432                          |
| Profit margin, %                           | neg.                        | 6.0                         | 2.6                          | 6.8                          |
| Net profit, SEK m                          | -39                         | 80                          | 97                           | 329                          |
| Earnings per share, SEK                    | -0.38                       | 0.77                        | 0.88                         | 3.11                         |
| Equity per share, SEK                      | 15.61                       | 16.26                       | 15.61                        | 16.26                        |
| Return on equity, %                        | neg.                        | 19.7                        | 5.4                          | 20.5                         |
| Share of risk-bearing capital, %           | 36.2                        | 36.1                        | 36.2                         | 36.1                         |
| Cash flow from operating activities, SEK m | 223                         | 180                         | 500                          | 190                          |
| Average number of employees                | 3,329                       | 3,572                       | 3,84                         | 3,599                        |

\*) During Q1 of 2018, the Group has been positively impacted with a net effect of SEK 15 million due to the sale of a property and structuring work in Belgium. During Q2 of 2018, final negotiations have taken place regarding the additional purchase sum for La Fortezza, which has had a positive impact on profit of SEK 14 million. During Q4, negotiations have taken place regarding the additional purchase sum for the D. Lidner companies, which has had a positive impact on profit of SEK 20 million. Q4 has been adversely affected by SEK -63 million in respect of costs for the streamlining programme. During the comparison period, Q4 2017, the Group has been positively impacted with a net effect of SEK 35 million due to the revaluation of the additional purchase sum in conjunction with the acquisition of La Fortezza, as well as structural costs.

# TRENDS 2018

## OCTOBER-DECEMBER

### Net sales and profit

The Group's net sales fell by 7% to SEK 1,521 million (1,641). Currency-adjusted sales fell by 10%. Sales per geographic area are set out in Note 2. Sales have increased slightly in the Rest of the world, while in Central Europe and Eastern Europe they have been on a par with the previous year. Sales have not developed as well in Northern Europe, while the UK and Southern Europe they have developed significantly worse. In the UK, the poorer sales trend is primarily due to increasing caution in association with Brexit. In Southern Europe, the primary reason is reduced sales in France.

Operating profit fell to SEK -7 million (118). Operating profit, excl. non-recurring items amounting to SEK -37 million (35), fell to SEK 30 million (83).

Profit after financial items fell to SEK -28 million (99). Profit after financial items, excl. non-recurring items amounting to SEK -43 million (35), fell to SEK 15 million (64).

The ongoing streamlining programme has impacted profit after financial items by SEK 63 million in costs, in the form of costs associated with termination of employment, close-down costs, etc. In addition to this, the programme has initially entailed reduced efficiency, which has had a negative impact on profit. Profit has also been adversely affected by a lower sales volume and higher raw material prices. Negotiations have taken place regarding the additional purchase sum for the D. Lidner companies, which has had a positive impact on profit of SEK 20 million.

The tax expense for the period has principally been affected negatively by a revaluation of deferred tax claims.

### Financial position

The net debt was SEK 2,104 million (2,130). The Group's cash and cash equivalents, including undrawn committed credit facilities, amounted to SEK 860 million (929) on the closing day. The equity/assets ratio stood at 32% (32) and the proportion of risk-bearing capital amounted to 36% (36).

Cash flow from current operations amounted to SEK 223 million (180).

The improved cash flow can be explained by reduced tying up of working capital, which is due to lower sales volumes and, above all, to the fact that the work on utilising the operating capital more efficiently has started producing results.

### Investments

Consolidated net investments amounted to SEK 31 million (75), of which SEK 0 million (1) can be attributed to corporate transactions during the period. For more information about corporate transactions, see Note 1 on page 11.

### Employees

The average number of employees for the period amounted to 3,329 (3,572).

### Parent company

The parent company ITAB Shop Concept AB's activities principally comprise Group-wide functions. The parent company's net sales amounted to SEK 0 million (26) and relate to income from subsidiaries. Profit after financial items amounted to SEK -122 million (-48).

## JANUARY – DECEMBER

### Net sales and profit

The Group's net sales fell by 5% to SEK 6,031 million (6,381). Currency-adjusted sales fell by 8%.

Sales have increased in Central Europe, while in Eastern Europe sales have been on a par with the previous year. Sales have decreased slightly in Northern Europe and the Rest of the world, while the UK and Southern Europe sales have developed significantly worse.

Operating profit fell by 54% to SEK 230 million (500). Operating profit, excl. non-recurring items amounting to SEK -8 million (35), fell by 49% to SEK 238 million (465).

Profit after financial items fell by 64% to SEK 157 million (432). Profit after financial items, excl. non-recurring items amounting to SEK -14 million (35), fell by 57% to SEK 171 million (397).

Profit has principally been affected by the sales trend, where the market has been considerably more volatile than previously, which has had a negative impact on profit. The price trend for the Group's most important raw materials has also had a negative impact on profit. Several marketing initiatives have been conducted during the year, such as product development and sales efforts aimed at strengthening ITAB's position in the shops of the future. This has increased the Group's sales costs in 2018. The ongoing streamlining programme has impacted profit after financial items by SEK 63 million in costs, in the form of costs associated with termination of employment, close-down costs, etc. In addition to this, the programme has initially entailed reduced efficiency, which has had a negative impact on profit. Profit includes the sale of a property and structuring work in Belgium, which have had a positive impact on profit amounting to SEK 15 million net. Negotiations have taken place regarding the additional purchase sums for La Fortezza and the D. Lidner companies, which have had a positive impact on profit of SEK 34 million.

The reported tax rate amounted to 38.3% (23.7), and was above all adversely affected by a revaluation of deferred tax claims in conjunction with the restructuring operations that are being carried out, as well as by changed tax rates in several countries.

### Financial position

The net debt was SEK 2,104 million (2,130). The additional purchase sum for the acquisition of La Fortezza has been charged to net debt at SEK 140 million. The Group's cash and cash equivalents, including undrawn committed credit facilities, amounted to SEK 860 million (929) on the closing day. The equity/assets ratio stood at 32% (32) and the proportion of risk-bearing capital amounted to 36% (36).

Cash flow from current operations amounted to SEK 500 million (190).

The improved cash flow can be explained by reduced tying up of working capital, which is due to lower sales volumes and, above all, to the fact that the work on utilising the operating capital more efficiently has started producing results.

### Investments

Consolidated net investments/divestments amounted to SEK 242 million (295), of which SEK 142 million (101) can be attributed to corporate transactions during the period. For more information about corporate transactions, see Note 1 on page 11. A property in Belgium has been sold during 2018.

### Employees

The average number of employees for the period amounted to 3,384 (3,599).

### Parent company

The parent company ITAB Shop Concept AB's activities principally comprise Group-wide functions. The parent company's net sales amounted to SEK 48 million (74) and relate to income from subsidiaries. Profit after financial items amounted to SEK 128 million (285) and includes dividends from subsidiaries totalling SEK 370 million (362), as well as the impairment of shares and receivables from subsidiaries amounting to SEK 99 million (16) in conjunction with the restructuring operations that are being carried out.

## OTHER DISCLOSURES

### Seasonal variations

ITAB's operations are affected to a certain extent by seasonal variations. The sales volumes are often lower at the start of the year and then gradually increase during the year. As a result, sales and earnings are generally higher during primarily the third but also the fourth quarter. During the year, sales and profits have deviated from the normal pattern. The quarterly sales and earnings are presented in the diagrams on page 3.

### Risks and uncertainties

The Group's significant risks and uncertainties include business risks, financial risks and sustainability risks. The Group's significant financial risks

are more fully discussed in Note 4 on page 70 of the 2017 Annual Report.

ITAB's business risks are associated with our own operations, customers and suppliers, as well as other external factors. Some of the most significant business risks are summarised on page 55 and 41 of the 2017 Annual Report and sustainability risks at page 41.

No further significant risks have been identified.

#### Convertible debenture loan 2014/2018

During the period 1 June to 11 June 2018, it was possible to convert the convertible debenture KV 4B with a nominal value of SEK 30 million to Class B shares at a conversion rate of SEK 49.83. No conversions were conducted and the convertible debenture was repaid at the start of July 2018. As a result of this, no dilution has occurred.

#### Convertible debenture loan 2016/2020

On 11 May 2016, the Annual General Meeting of ITAB Shop Concept AB decided to approve the Board's proposal to issue a maximum of 1,950,000 convertibles with a maximum total nominal value of SEK 275,000,000 with a term from 1 July 2016 to 30 June 2020. The level of interest in the convertible programme was considerable – approximately 440 employees in 13 countries decided to participate, and the issue was oversubscribed by more than 50 percent. Employees of the ITAB Group have been allocated 1,950,000 convertibles at an issue price of SEK 86, representing a nominal value of SEK 167,700,000. The interest rate is STIBOR 3M plus 2.20 percent and interest is paid annually in arrears. All convertibles can be converted into Class B shares in ITAB in the period from 1 June 2020 to and including 12 June 2020. If all the convertibles are converted into shares, the dilution effect on the share capital will be approximately 1.9 percent, and on the voting rights approximately 0.6 percent, based on the current total number of shares.

#### Accounting policies

ITAB is applying the International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34, Interim Reporting, the Annual Accounts Act as well as the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, and RFR 2, Accounting for Legal Entities.

The new standards IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, are being applied as from 1 January 2018. The Group will not recalculate comparative figures for the 2017 financial year, in accordance with the standards' transitional rules. None of these standards have had any significant impact on the Group's financial performance and position. See information in the 2017 Annual Report and Note 2.

#### Transition to IFRS 16 Leases

IFRS 16 Leases is replacing IAS 17 as from 1 January 2019. The new standard is eliminating the classification of leases into operational or financial leases for the lessee, and is introducing a joint model for the reporting of all leasing. In the new model, the lessee will report an entitlement to use an asset during the anticipated term of the lease, as well as financing over time, as a liability. In addition, the depreciation of leased assets will be reported separately from the interest on the debt for leasing in the income statement.

ITAB will apply the new standard by using the modified retrospective transition method, which means that the comparative figures will not be recalculated. The cumulative effect of applying IFRS 16 will be reported on 1 January 2019. Long-term operational leases will be reported as fixed assets and financial liabilities in the Group's balance statement. Instead of operational leasing costs, ITAB will report depreciation and interest expenses in the Group's income statement.

Lease liabilities that have previously been classified as operational leases according to IAS 17 will be valued at the present value of the remaining lease payments, discounted using the marginal loan interest rate as at 1 January 2019. ITAB will report a right of use to an amount corresponding to the lease liability. As a result, the transition to IFRS 16 will not have any significant impact on equity. ITAB will apply the practical exemptions regarding reporting payments attributable to short-term leases and leases for assets of a low value as a cost in the income statement. ITAB will not apply IFRS 16 for intangible assets. Non-lease components will be expensed and are not reported as part of the right of use or the lease liability.

The transition to IFRS 16 will have the following preliminary impact on the Group's balance statement at the time of the transition, i.e. 1

January 2019:

|                           |                 |
|---------------------------|-----------------|
| Right of use              | SEK 725 million |
| Financial lease liability | SEK 725 million |

ITAB has identified leases attributable to properties, machines and vehicles. When determining the above amounts, the most significant assessments are attributable to the establishment of the term of the leases. The majority of ITAB's leases include options to either extend or terminate the agreement. When the term of the lease is being established, ITAB takes into consideration all facts and circumstances that provide a financial incentive to utilise an extension option or not to utilise an option to terminate an agreement. Examples of factors that are considered include strategic plans, restructuring programmes, the importance of the underlying

asset to ITAB's activities and/or costs attributable to not extending or terminating leases. As regards other accounting principles that are applied, these correspond with the accounting principles that were used in the preparation of the most recent Annual Report.

#### Estimates and judgements

The preparation of the interim report requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. However, the actual results may ultimately differ from those estimates and judgements. The critical judgements and sources of uncertainty in the estimates used in the preparation of this interim report are the same as in the most recent annual report.

#### Financial assets and liabilities

ITAB has derivative financial instruments measured at fair value. The derivative instruments consist of foreign exchange forward contracts and interest rate swaps used for hedging purposes.

All derivative instruments are categorised as Level 2 and the fair value is measured using discounted future cash flows according to the terms and due dates of the contracts where all variables, such as discount rates and exchange rates, are obtained from market listings for calculations.

Additional considerations are recognised as financial liabilities and are categorised as Level 3. These are based on each contract's parameters which are mainly linked to the anticipated performance of the acquired companies over the next few years. The additional considerations have been recognised at estimated fair value and are re-measured through the income statement.

Recognised value is considered to constitute a reasonable estimate of the actual value of all financial assets and liabilities. No financial assets or financial liabilities have been transferred between the valuation categories and the same valuation techniques have been used throughout the year. Otherwise refers to the most recent annual report.

#### Related party transactions

ITAB has not entered into any related party transactions that have significantly affected the company's financial position and results.

#### Next reporting date

The year-end report for the period January through March 2019 will be presented on the 8 May 2019.

## KEY FIGURES

Key figures included in this report derive primarily from the disclosure requirements according to IFRS and the Annual Accounts Act. In addition, reference is made to a number of key ratios that are not defined within the IFRS regulations or directly in the income statement or balance sheet, with the aim of illustrating the company's profit trend, financial position and how the company has invested its capital. These financial measures are not always calculated in the same way by all companies. The primary alternative key figures presented in this report are interest-bearing net debt, share of risk-bearing capital and return on equity, capital employed and total capital.

Key ratios are defined below. Further definitions and reconciliations can be found on page 53 in the annual report 2017.

### DEFINITIONS

#### Share of risk-bearing capital

Equity plus provisions for deferred tax liabilities as well as convertible debenture loans in relation to total capital.

#### Return on equity

The net profit for the period attributable to the Parent Company's shareholders in relation to average equity attributable to the Parent Company's shareholders.

#### Return on capital employed

Profit after financial items plus financial expenses in relation to average balance sheet total minus non-interest-bearing liabilities.

#### Return on total capital

Profit after financial items plus financial expenses in relation to average total capital.

#### Equity per share

Equity at the end of the period attributable to the Parent Company's shareholders in relation to the number of shares at the end of the period.

#### Cash flow from operating activities per share

Cash flow from operating activities in relation to the average number of outstanding shares.

#### Earnings per share, basic

Net profit for the period attributable to the Parent Company's shareholders in relation to average number of shares.

#### Earnings per share, diluted

Net profit for the period attributable to the Parent Company's shareholders plus costs attributable to convertible loans in relation to the number of shares, including shares that are added on conversion of outstanding convertibles.

#### Interest-bearing net debt

Non-current and current interest-bearing liabilities minus interest-bearing assets as well as cash and cash equivalents.

#### Interest coverage ratio

Income after financial items plus financial expenses in relation to financial expenses.

#### Operating margin

Operating profit in relation to net sales.

#### Equity/assets ratio

Equity in relation to total capital.

#### Total Capital, Balance sheet total

Total Equity and Liabilities.

#### Profit margin

Profit after financial items in relation to net sales.

#### Average number of employees

Number of worked hours divided by normal annual working time.

# THE GROUP

## INCOME STATEMENT - SUMMARY

| (SEK million)                                      | 3 MONTHS<br>OCT-DEC<br>2018 | 3 MONTHS<br>OCT-DEC<br>2017 | FULL-YEAR<br>JAN-DEC<br>2018 | FULL-YEAR<br>JAN-DEC<br>2017 |
|----------------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net sales                                          | 1,521                       | 1,641                       | 6,031                        | 6,381                        |
| Cost of goods sold                                 | -1,186                      | -1,198                      | -4,423                       | -4,552                       |
| <b>Gross profit</b>                                | <b>335</b>                  | <b>443</b>                  | <b>1,608</b>                 | <b>1,829</b>                 |
| Selling expenses                                   | -297                        | -290                        | -1,140                       | -1,071                       |
| Administrating expenses                            | -66                         | -78                         | -294                         | -305                         |
| Other operating income and expenses                | 21                          | 43                          | 56                           | 47                           |
| <b>Operating profit</b>                            | <b>-7</b>                   | <b>118</b>                  | <b>230</b>                   | <b>500</b>                   |
| Financial income                                   | 5                           | 2                           | 6                            | 3                            |
| Financial expenses                                 | -26                         | -21                         | -79                          | -71                          |
| <b>Profit after financial items</b>                | <b>-28</b>                  | <b>99</b>                   | <b>157</b>                   | <b>432</b>                   |
| Tax expenses                                       | -11                         | -19                         | -60                          | -103                         |
| <b>NET PROFIT FOR THE PERIOD</b>                   | <b>-39</b>                  | <b>80</b>                   | <b>97</b>                    | <b>329</b>                   |
| Net profit for the period attributable to:         |                             |                             |                              |                              |
| Parent Company shareholders                        | -39                         | 79                          | 90                           | 319                          |
| Non-controlling interests                          | 0                           | 1                           | 7                            | 10                           |
| Depreciation/amortisation for the period           | 37                          | 36                          | 142                          | 139                          |
| Tax expense for the period amounts to              | n.a                         | 18%                         | 38%                          | 24%                          |
| Earnings per share                                 |                             |                             |                              |                              |
| basic, SEK                                         | -0.38                       | 0.77                        | 0.88                         | 3.11                         |
| diluted, SEK                                       | -0.38                       | 0.76                        | 0.88                         | 3.09                         |
| Average number of outstanding shares <sup>1)</sup> |                             |                             |                              |                              |
| basic (thousands)                                  | 102,383                     | 102,383                     | 102,383                      | 102,383                      |
| diluted (thousands)                                | 104,333                     | 104,935                     | 104,333                      | 104,935                      |

1) As at 30 June 2018, the Group had two outstanding convertible debenture schemes. In the first scheme, which ran during the period 1 July 2014 to 30 June 2018, conversion to a maximum of 602,004 Class B shares could take place during the period 1-11 June 2018 at a subscription price of SEK 49.83. No conversions were conducted and the convertible debenture was repaid at the beginning of July 2018. In the second scheme, a subscription for convertible shares for employees was carried out during June 2016. The scheme is running during the period 1 July 2016 to 30 June 2020 and conversion to a maximum of 1,950,000 Class B shares can take place during the period 1-12 June 2020 at a subscription price of SEK 86.00. The total number of shares after full dilution will then be 104,333,430.

## STATEMENT OF OTHER COMPREHENSIVE INCOME - SUMMARY

| (SEK million)                                                      | 3 MONTHS<br>OCT-DEC<br>2018 | 3 MONTHS<br>OCT-DEC<br>2017 | FULL-YEAR<br>JAN-DEC<br>2018 | FULL-YEAR<br>JAN-DEC<br>2017 |
|--------------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>Net profit for the period</b>                                   | <b>-39</b>                  | <b>80</b>                   | <b>97</b>                    | <b>329</b>                   |
| <b>Other comprehensive income:</b>                                 |                             |                             |                              |                              |
| <b>Items that will not be reclassified to the income statement</b> |                             |                             |                              |                              |
| Revaluation of defined-benefit pension commitments                 | 1                           | -4                          | 1                            | -4                           |
| Tax on items that will not be reclassified                         | 0                           | 1                           | 0                            | 1                            |
|                                                                    | 1                           | -3                          | 1                            | -3                           |
| <b>Items that may be reclassified to the income statement</b>      |                             |                             |                              |                              |
| Translation differences                                            | -17                         | 50                          | 13                           | 21                           |
| Hedging of net investments, net                                    | 0                           | -6                          | 5                            | -10                          |
| Cash flow hedges, net                                              | -5                          | 4                           | 12                           | 5                            |
| Tax on items that may be reclassified                              | 1                           | 0                           | -4                           | 1                            |
|                                                                    | -21                         | 48                          | 26                           | 17                           |
| <b>Total other comprehensive income after tax</b>                  | <b>-20</b>                  | <b>45</b>                   | <b>27</b>                    | <b>14</b>                    |
| <b>Comprehensive income for the period</b>                         | <b>-59</b>                  | <b>125</b>                  | <b>124</b>                   | <b>343</b>                   |
| Comprehensive income for the period attributable to:               |                             |                             |                              |                              |
| Parent Company shareholders                                        | -59                         | 119                         | 115                          | 336                          |
| Non-controlling interests                                          | 0                           | 6                           | 9                            | 7                            |

## STATEMENTS OF FINANCIAL POSITION - SUMMARY

| (SEK million)                                        | 2018<br>31-DEC | 2017<br>31-DEC |
|------------------------------------------------------|----------------|----------------|
| <b>Assets</b>                                        |                |                |
| <b>Non-current assets</b>                            |                |                |
| Goodwill                                             | 1,634          | 1,576          |
| Other intangible assets                              | 173            | 176            |
|                                                      | 1,807          | 1,752          |
| Property, plant and equipment                        | 939            | 945            |
| Deferred tax assets                                  | 102            | 105            |
| Financial non-current assets                         | 7              | 8              |
| <b>Total non-current assets</b>                      | <b>2,855</b>   | <b>2,810</b>   |
| <b>Current assets</b>                                |                |                |
| Inventories                                          | 1,019          | 1,174          |
| Current receivables                                  | 1,219          | 1,388          |
| Cash and cash equivalents                            | 271            | 285            |
| <b>Total current assets</b>                          | <b>2,509</b>   | <b>2,847</b>   |
| <b>TOTAL ASSETS</b>                                  | <b>5,364</b>   | <b>5,657</b>   |
| <b>Equity and liabilities</b>                        |                |                |
| Equity attributable to Parent Company's shareholders | 1,698          | 1,664          |
| Non-controlling interests                            | 128            | 120            |
| Deferred tax liabilities                             | 54             | 72             |
| Other non-current liabilities                        | 1,712          | 1,558          |
| Current liabilities                                  | 1,872          | 2,243          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b>5,364</b>   | <b>5,657</b>   |
| Interest-bearing net debt represents                 | 2,104          | 2,130          |
| of which convertible debenture loans make up         | 162            | 188            |

## STATEMENT OF CHANGES IN EQUITY - SUMMARY

| (SEK million)                                    | Share capital | Other contrib-<br>uted capital | Other reserves <sup>*)</sup> | Profit brought forward | Attributable to the Parent Company's shareholders | Attributable to non-controlling interests | Total equity |
|--------------------------------------------------|---------------|--------------------------------|------------------------------|------------------------|---------------------------------------------------|-------------------------------------------|--------------|
| <b>SHAREHOLDERS' EQUITY 1 JAN 2017</b>           | <b>43</b>     | <b>315</b>                     | <b>-35</b>                   | <b>1,189</b>           | <b>1,512</b>                                      | <b>122</b>                                | <b>1,634</b> |
| Net profit for the period                        |               |                                |                              | 319                    | 319                                               | 10                                        | 329          |
| Other comprehensive income                       |               |                                | 20                           | -3                     | 17                                                | -3                                        | 14           |
| <b>COMPREHENSIVE INCOME JAN-DEC 2017</b>         |               |                                | <b>20</b>                    | <b>316</b>             | <b>336</b>                                        | <b>7</b>                                  | <b>343</b>   |
| Dividend                                         |               |                                |                              | -179                   | -179                                              | 0                                         | -179         |
| Acquisition of non-controlling interests, note 1 |               |                                |                              | -5                     | -5                                                | -9                                        | -14          |
| <b>SHAREHOLDERS' EQUITY 31 DEC 2017</b>          | <b>43</b>     | <b>315</b>                     | <b>-15</b>                   | <b>1,321</b>           | <b>1,664</b>                                      | <b>120</b>                                | <b>1,784</b> |
| Net profit for the period                        |               |                                |                              | 90                     | 90                                                | 7                                         | 97           |
| Other comprehensive income                       |               |                                | 24                           | 1                      | 25                                                | 2                                         | 27           |
| <b>COMPREHENSIVE INCOME JAN-DEC 2018</b>         |               |                                | <b>24</b>                    | <b>91</b>              | <b>115</b>                                        | <b>9</b>                                  | <b>124</b>   |
| Dividend                                         |               |                                |                              | -179                   | -179                                              | 0                                         | -179         |
| Acquisition of non-controlling interests, note 1 |               |                                |                              | -2                     | -2                                                | -1                                        | -3           |
| <b>SHAREHOLDERS' EQUITY 31 DEC 2018</b>          | <b>43</b>     | <b>315</b>                     | <b>9</b>                     | <b>1,231</b>           | <b>1,598</b>                                      | <b>128</b>                                | <b>1,726</b> |

\* Other reserves comprise a translation reserve and a hedging reserve.

## STATEMENTS OF CASH FLOWS - SUMMARY

| (SEK million)                                                                                | 3 MONTHS<br>OCT-DEC<br>2018 | 3 MONTHS<br>OCT-DEC<br>2017 | FULL-YEAR<br>JAN-DEC<br>2018 | FULL-YEAR<br>JAN-DEC<br>2017 |
|----------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>Operating profit</b>                                                                      | <b>-7</b>                   | <b>118</b>                  | <b>230</b>                   | <b>500</b>                   |
| Interest paid and received, tax paid and adjustments for items not included in the cash flow | -7                          | -59                         | -67                          | -157                         |
| <b>Cash flow from operating activities before changes in working capital</b>                 | <b>-14</b>                  | <b>59</b>                   | <b>163</b>                   | <b>343</b>                   |
| <b>Change in working capital</b>                                                             |                             |                             |                              |                              |
| Change in inventories                                                                        | 134                         | 33                          | 178                          | -125                         |
| Change in operating receivables                                                              | 236                         | 278                         | 202                          | -51                          |
| Change in operating liabilities                                                              | -133                        | -190                        | -43                          | 23                           |
| <b>Cash flow from operating activities</b>                                                   | <b>223</b>                  | <b>180</b>                  | <b>500</b>                   | <b>190</b>                   |
| <b>Investing activities</b>                                                                  |                             |                             |                              |                              |
| Acquisition of companies and businesses, note 1                                              | 0                           | -1                          | -142                         | -101                         |
| Other net investments                                                                        | -31                         | -74                         | -100                         | -194                         |
| <b>Cash flow after investing activities</b>                                                  | <b>192</b>                  | <b>105</b>                  | <b>258</b>                   | <b>-105</b>                  |
| <b>Financing activities</b>                                                                  |                             |                             |                              |                              |
| Paid dividend to shareholders                                                                | -                           | -                           | -179                         | -179                         |
| Cash flow from other financing activities                                                    | -261                        | -146                        | -101                         | 182                          |
| <b>Cash flow for the period</b>                                                              | <b>-69</b>                  | <b>-41</b>                  | <b>-22</b>                   | <b>-102</b>                  |
| Cash and cash equivalents at the start of the period                                         | 335                         | 310                         | 285                          | 404                          |
| Translation differences on cash and cash equivalents                                         | 5                           | 16                          | 8                            | -17                          |
| <b>Cash and cash equivalents at the end of the period</b>                                    | <b>271</b>                  | <b>285</b>                  | <b>271</b>                   | <b>285</b>                   |
| <b>Cash flow from operating activities per share</b>                                         | <b>2.17</b>                 | <b>1.76</b>                 | <b>4.88</b>                  | <b>1.86</b>                  |

## KEY RATIOS

|                                                           | 3 MONTHS<br>OCT-DEC<br>2018 | 3 MONTHS<br>OCT-DEC<br>2017 | FULL-YEAR<br>JAN-DEC<br>2018 | FULL-YEAR<br>JAN-DEC<br>2017 |
|-----------------------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Operating margin, %                                       | neg.                        | 7.2                         | 3.8                          | 7.8                          |
| Profit margin, %                                          | neg.                        | 6.0                         | 2.6                          | 6.8                          |
| Share price at end of period, SEK                         | 15.00                       | 51.75                       | 15.00                        | 51.75                        |
| Basic earnings per share, SEK                             | -0.38                       | 0.77                        | 0.88                         | 3.11                         |
| Diluted earnings per share, SEK                           | -0.38                       | 0.76                        | 0.88                         | 3.09                         |
| Cash flow from operating activities per share, SEK        | 2.17                        | 1.76                        | 4.88                         | 1.86                         |
| Number of shares at the end of the period                 | 102,383,430                 | 102,383,430                 | 102,383,430                  | 102,383,430                  |
| Balance sheet total, SEK m                                | 5,364                       | 5,657                       | 5,364                        | 5,657                        |
| Interest-bearing net debt, SEK m                          | 2,104                       | 2,130                       | 2,104                        | 2,130                        |
| Equity attributable to the Parent Company's shareholders, | 1,598                       | 1,664                       | 1,598                        | 1,664                        |
| Equity per share, SEK                                     | 15.61                       | 16.26                       | 15.61                        | 16.26                        |
| Equity/assets ratio, %                                    | 32.2                        | 31.5                        | 32.2                         | 31.5                         |
| Portion of risk-bearing capital, %                        | 36.2                        | 36.1                        | 36.2                         | 36.1                         |
| Return on equity, %                                       | neg.                        | 19.7                        | 5.4                          | 20.5                         |
| Return on capital employed, %                             | neg.                        | 11.2                        | 5.5                          | 12.4                         |
| Return on total capital, %                                | neg.                        | 8.2                         | 4.1                          | 9.0                          |
| Interest coverage ratio, multiple                         | neg.                        | 6.2                         | 3.0                          | 7.8                          |
| Net investments, SEK m                                    | 31                          | 75                          | 242                          | 295                          |
| Net investments (excl. business acquisitions), SEK m      | 31                          | 74                          | 100                          | 194                          |
| Average no. employees                                     | 3,329                       | 3,572                       | 3,384                        | 3,599                        |

## QUARTERLY FINANCIAL STATEMENTS AND KPI

| (SEK million)                                      | 2018<br>OCT-DEC | 2017<br>OCT-DEC | 2018<br>JUL-SEP | 2017<br>JUL-SEP | 2018<br>APR-JUN | 2017<br>APR-JUN | 2018<br>JAN-MAR | 2017<br>JAN-MAR |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales                                          | 1,521           | 1,641           | 1,475           | 1,668           | 1,554           | 1,552           | 1,481           | 1,520           |
| Cost of goods sold                                 | -1,186          | -1,198          | -1,077          | -1,176          | -1,113          | -1,110          | -1,047          | -1,068          |
| <b>Gross profit</b>                                | <b>335</b>      | <b>443</b>      | <b>398</b>      | <b>492</b>      | <b>441</b>      | <b>442</b>      | <b>434</b>      | <b>452</b>      |
| Selling expenses                                   | -297            | -290            | -265            | -256            | -295            | -263            | -283            | -262            |
| Administrating expenses                            | -66             | -78             | -75             | -67             | -79             | -83             | -74             | -77             |
| Other operating income and expenses                | 21              | 43              | 6               | 3               | 16              | 3               | 13              | -2              |
| <b>Operating profit</b>                            | <b>-7</b>       | <b>118</b>      | <b>64</b>       | <b>172</b>      | <b>83</b>       | <b>99</b>       | <b>90</b>       | <b>111</b>      |
| Financial items                                    | -21             | -19             | -18             | -22             | -19             | -15             | -15             | -12             |
| <b>Profit after financial items</b>                | <b>-28</b>      | <b>99</b>       | <b>46</b>       | <b>150</b>      | <b>64</b>       | <b>84</b>       | <b>75</b>       | <b>99</b>       |
| Tax expenses                                       | -11             | -19             | -11             | -39             | -19             | -20             | -19             | -25             |
| <b>NET PROFIT FOR THE PERIOD</b>                   | <b>-39</b>      | <b>80</b>       | <b>35</b>       | <b>111</b>      | <b>45</b>       | <b>64</b>       | <b>56</b>       | <b>74</b>       |
| Net profit for the period attributable to:         |                 |                 |                 |                 |                 |                 |                 |                 |
| Parent Company shareholders                        | -39             | 79              | 33              | 109             | 44              | 60              | 52              | 71              |
| Non-controlling interests                          | 0               | 1               | 2               | 2               | 1               | 4               | 4               | 3               |
| Operating margin, %                                | neg.            | 7.2             | 4.4             | 10.3            | 5.3             | 6.4             | 6.1             | 7.3             |
| Basic earnings per share, SEK                      | -0.38           | 0.77            | 0.32            | 1.05            | 0.43            | 0.59            | 0.51            | 0.70            |
| Diluted earnings per share, SEK                    | -0.38           | 0.76            | 0.32            | 1.06            | 0.43            | 0.58            | 0.51            | 0.68            |
| Return on equity, %                                | neg.            | 19.7            | 8.0             | 28.8            | 10.2            | 15.9            | 12.1            | 18.4            |
| Equity per share, SEK                              | 15.61           | 16.26           | 16.19           | 15.09           | 16.15           | 14.22           | 17.36           | 15.47           |
| Cash flow from operating activities per share, SEK | 2.17            | 1.76            | 0.31            | -0.86           | 1.32            | 1.23            | 1.08            | -0.27           |
| Share price at end of period, SEK                  | 15.00           | 51.75           | 24.40           | 63.75           | 35.50           | 75.25           | 36.90           | 71.00           |

## PARENT COMPANY

### INCOME STATEMENT - SUMMARY

| (SEK million)                                  | 3 MTHS<br>OCT-DEC<br>2018 | 3 MTHS<br>OCT-DEC<br>2017 | FULL YEAR<br>JAN-DEC<br>2018 | FULL YEAR<br>JAN-DEC<br>2017 |
|------------------------------------------------|---------------------------|---------------------------|------------------------------|------------------------------|
| Net sales <sup>1)</sup>                        | 0                         | 26                        | 48                           | 74                           |
| Cost of goods sold                             | -3                        | -4                        | -13                          | -15                          |
| <b>Gross profit</b>                            | <b>-3</b>                 | <b>22</b>                 | <b>35</b>                    | <b>59</b>                    |
| Selling expenses                               | -7                        | -7                        | -28                          | -31                          |
| Administrating expenses                        | -7                        | -9                        | -33                          | -37                          |
| Other operating income and expenses            | 1                         | -4                        | 1                            | -7                           |
| <b>Operating profit</b>                        | <b>-16</b>                | <b>2</b>                  | <b>-25</b>                   | <b>-16</b>                   |
| Profit from participations in Group companies  | -98                       | -9                        | 271                          | 346                          |
| Financial income and expenses                  | -8                        | -41                       | -118                         | -45                          |
| <b>Profit after financial items</b>            | <b>-122</b>               | <b>-48</b>                | <b>128</b>                   | <b>285</b>                   |
| Year-end appropriations                        | 42                        | 61                        | 42                           | 61                           |
| <b>Profit before tax</b>                       | <b>-80</b>                | <b>13</b>                 | <b>170</b>                   | <b>346</b>                   |
| Tax expenses for the period                    | 18                        | -2                        | 18                           | -2                           |
| <b>NET PROFIT FOR THE PERIOD</b>               | <b>-62</b>                | <b>11</b>                 | <b>188</b>                   | <b>344</b>                   |
| <b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b> |                           |                           |                              |                              |
| Net profit for the period                      | -62                       | 11                        | 188                          | 344                          |
| Other comprehensive income                     | -                         | -                         | -                            | -                            |
| <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>     | <b>-62</b>                | <b>11</b>                 | <b>188</b>                   | <b>344</b>                   |

### BALANCE SHEET - SUMMARY

| (SEK million)                       | 2018<br>31-DEC | 2017<br>31-DEC |
|-------------------------------------|----------------|----------------|
| <b>Non-current assets</b>           |                |                |
| Property, plant and equipment       | 9              | 9              |
| Financial assets                    | 2,148          | 2,228          |
| Deferred tax assets                 | 32             | 14             |
| <b>Total non-current assets</b>     | <b>2,189</b>   | <b>2,251</b>   |
| <b>Current assets</b>               |                |                |
| Current receivables                 | 1,003          | 1,002          |
| Cash and bank balance               | 0              | 0              |
| <b>Total current assets</b>         | <b>1,003</b>   | <b>1,002</b>   |
| <b>TOTAL ASSETS</b>                 | <b>3,192</b>   | <b>3,253</b>   |
| <b>Equity</b>                       |                |                |
| Restricted equity                   | 50             | 50             |
| Non-restricted equity               | 896            | 887            |
| <b>TOTAL EQUITY</b>                 | <b>946</b>     | <b>937</b>     |
| Non-current liabilities             | 1,548          | 1,357          |
| Current liabilities                 | 698            | 959            |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>3,192</b>   | <b>3,253</b>   |

1) 100% of the parent company's net sales comes from subsidiary.

## Note 1

### 2018

#### Acquisition of non-controlling participations, 2018

The MB Shop Design group, which comprised three wholly-owned and one part-owned company (91%), was acquired in May 2016. In April 2018, the remaining 9% of the part-owned company Pulverlacken i Hillerstorp AB was acquired. The purchase sum amounted to SEK 1.5 million, as well as a supplementary purchase sum of a further max. SEK 1.5 million based on the company's performance between 2018-2019. In the event of acquisitions, the entity theory is applied, which means that all assets and liabilities as well as income and expenses are included in their entirety, including for part-owned subsidiaries, at the time of the initial acquisition, which is why no additional goodwill is linked to the acquisition. The difference between valued holdings without a controlling influence prior to acquisition and the purchase price is recognised directly in equity attributable to the Parent Company's shareholders at SEK -2 million.

The acquisition has impacted on net investments for 2018 in the cash flow in the amount of SEK 2 million. Net investments for 2018 also include paid additional purchase sum relating to the acquisition of the La Fortezza Group from 2016, amounting to SEK 140 million.

### 2017

#### Acquisition of the D. Lindner companies

During July 2017, through subsidiaries, ITAB acquired the companies D&L Lichtplanung GmbH and D. Lindner Lichttechnische Grosshandlung GmbH, which have their registered offices in Menden, Germany. The acquisition also included the assets and liabilities of U. Wallmeier Beleuchtungstechnik und Vockroth u. Wallmeier GbR Elektroinstallation. The deal was conditional on competition approval, which was awarded on 6 July 2017.

The acquired companies jointly comprise one of Germany's leading players as regards sales of lighting systems principally to the non-food sector in the German market. The companies are sales companies with expertise in light planning and design. This acquisition is a stage in the intensification of our marketing activities in the German market, as well as in the strengthening of ITAB's position. The acquisition is expected to generate synergies, and ITAB will be offering customers in Germany a combination of local lighting expertise with global sourcing of lighting products. The acquisition is in line with ITAB's strategy and continuing investment in sales of a total concept for the retail sector.

The companies had a joint turnover of EUR 22 million during 2016 and have 50 employees. The Lindner companies increased the ITAB Group's sales during the second half of 2017 by approximately SEK 80 million and their operating margin is on a par with the rest of ITAB. The purchase price for the shares, assets and liabilities amounted to the equivalent of around EUR 14 million on a debt-free basis, with a possible supplementary purchase price of a maximum of EUR 2 million. Expenses in conjunction with the acquisition are recognised continually as costs. The acquisition is expected to have a positive effect of SEK 0.15 on annual earnings per share, before synergy effects. The various companies within the acquisition are not significant on their own, which is why they are reported jointly. Acquired net assets including financial liabilities, as well as intangible assets at their estimated fair value, amounted to SEK 67 million at the time of acquisition, of which SEK 102 million was goodwill. Goodwill that has arisen in the transaction consists primarily of the value of anticipated synergies and the value of the employees, which are not reported separately. The acquisition was incorporated as of 1 July 2017.

#### Acquisition of non-controlling participations, 2017

In May 2016, 97.1% of the shares in Pikval Group Oy in Finland and its subsidiaries were acquired. The remaining 2.9% of the Pikval Group was acquired in April 2017. The purchase price was EUR 60 thousand. During 2017, Pikval Group Oy has changed its name to ITAB Finland Holding Oy. In the event of acquisitions, the entity theory is applied, which means that all assets and liabilities as well as income and expenses are included in their entirety, including for part-owned subsidiaries, at the time of the initial acquisition, which is why no additional goodwill is linked to the acquisition. The difference between valued holdings without a controlling influence prior to acquisition and the purchase price is recognised directly in equity attributable to the Parent Company's shareholders at SEK -0 million.

Via a subsidiary, the ITAB Group acquired 51% of Reklamepartner Graphics AS in Norway in December 2014. The remaining 49% of Reklamepartner was acquired in January 2017. The purchase price amounted to NOK 11 million, with a supplementary purchase price of a maximum of NOK 2 million based on the company's performance up to the end of 2020. In the event of acquisitions,

the entity theory is applied, which is why no additional goodwill is linked to the acquisition. The difference between valued holdings without a controlling influence prior to acquisition and the purchase price is recognised directly in equity attributable to the Parent Company's shareholders at SEK -5 million.

All the acquisitions in 2017 have impacted on net investments for the year in the cash flow in the amount of SEK 60 million. Net investments for 2017 also include paid additional cash and cash equivalents from the acquisitions of the La Fortezza Group, the Pikval Group and the MB Shop Design Group from 2016, as well as the JPD companies from 2015, totalling SEK 41 million.

## Note 2

#### Revenue from contracts with customers

The Group has opted to apply IFRS 15, Revenue from Contracts with Customers, as from 1 January 2018, prospective transition. Due to the effects of IFRS 15, the Group's revenue streams have been analysed by company and significant customers on the basis of the standard's five-step model. The Group and the Parent Company have not experienced any material effects from the implementation of IFRS 15. Revenue recognition takes place when the Group satisfies a performance commitment by transferring promised goods and the customer gains control of the asset. This normally takes place on delivery in accordance with applicable delivery terms. In the event of concept sales where a service assignment is included, revenue recognition for the projects takes place over time. The time for revenue recognition, both at a specific point and over time, corresponds with the previous accounting principles.

IFRS 15 imposes increased disclosure requirements. ITAB presents revenue broken down by customer category and by geographical area.

|                             | FULL YEAR<br>JAN-DEC<br>2018 | FULL YEAR<br>JAN-DEC<br>2017 |
|-----------------------------|------------------------------|------------------------------|
| <b>Sales per category</b>   |                              |                              |
| Grocery                     | 2,917                        | 3,047                        |
| Home improvement            | 1,042                        | 1,015                        |
| Fashion                     | 936                          | 1,038                        |
| Other customer categories*) | 1,136                        | 1,281                        |
|                             | 6,031                        | 6,381                        |

\*) Other customer categories consist of for instance consumer electronics, pharmacies, sports, offices, gas stations, café and restaurants.

|                                      | FULL YEAR<br>JAN-DEC<br>2018 | FULL YEAR<br>JAN-DEC<br>2017 |
|--------------------------------------|------------------------------|------------------------------|
| <b>Sales per<br/>geographic area</b> |                              |                              |
| North Europe                         | 1,743                        | 1,808                        |
| Great Britain                        | 1,083                        | 1,281                        |
| Central Europe                       | 1,028                        | 925                          |
| South Europe                         | 936                          | 1,094                        |
| Eastern Europe                       | 650                          | 631                          |
| Rest of the world*)                  | 591                          | 642                          |
|                                      | 6,031                        | 6,381                        |

\*) Rest of the world includes all markets outside Europe.

## Note 3

|                                                  | THE GROUP<br>31 DEC 2018 | THE GROUP<br>31 DEC 2017 | PARENT<br>COMPANY<br>31 DEC 2018 | PARENT<br>COMPANY<br>31 DEC 2017 |
|--------------------------------------------------|--------------------------|--------------------------|----------------------------------|----------------------------------|
| <b>Pledged assets and contingent liabilities</b> |                          |                          |                                  |                                  |
| Pledged assets                                   | 1 716                    | 1 968                    | 1 319                            | 1 334                            |
| Contingent liabilities                           | 66                       | 180                      | 993                              | 983                              |

# ITAB IN BRIEF

## ITAB'S BUSINESS CONCEPT

ITAB will offer complete shop concepts for retail chain stores. With its expertise, long-term business relationships and innovative products, ITAB will secure a market-leading position in selected markets.



## ABOUT ITAB

ITAB Shop Concept sells, develops, manufactures and installs complete shop fitting concepts for retail chain stores. The all-inclusive offer includes custom-made fitting concepts, innovative solutions for checkout arena and professional lighting systems. As part of the further development of the shopping experience, a uniform digital solution for the physical shop is developed.

Customers include the major players throughout most of Europe. Business operations are founded on long-term business relationships and delivery reliability in combination with streamlined production resources. ITAB is now a leader in the market for retail checkouts in Europe, as well as being one of Europe's largest suppliers of shop fittings and lighting systems.

ITAB has operations in approx. 30 countries and approx. 20 production facilities in Europe and China. ITAB also has a network of partners across large parts of Europe. Working in close collaboration with the customer, ITAB contributes its experience and expertise to the customer's specific needs and requirements.

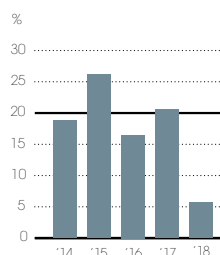


▲ ITAB Shop Concept is a leader in the market for retail checkouts in Europe and is also one of Europe's largest suppliers of shop fittings and lighting systems.

## ITAB's FINANCIAL TARGETS

### RETURN ON EQUITY

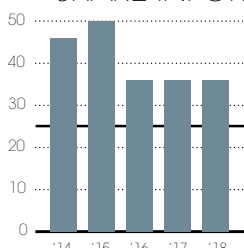
Over an extended period, ITAB will have a minimum 20% return on equity.



### RISK-BEARING CAPITAL

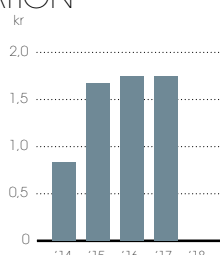
ITAB will have at least 25% risk-bearing capital.

## SHARE INFORMATION



### DIVIDENDS

ITAB's share dividends will, over an extended period, mirror the company's earnings and correspond to at least 30% of the company's profit after tax. The dividend will, however, be adjusted to the company's investment needs and share repurchase schemes when relevant.



## SHARE INFORMATION

- ▶ **LISTING**  
Nasdaq Stockholm  
Mid Cap list
- ▶ **TICKER SYMBOL**  
ITAB B
- ▶ **TRADING LOT**  
1 share
- ▶ **SECTOR CLASSIFICATION**  
Industrial Goods  
& Services
- ▶ **ISIN CODE**  
SE0008375117
- ▶ **SHARE PRICE ON  
THE BALANCE SHEET DATE**  
15,00 kr (51,75)

## ITAB's BUSINESS GOALS

### ▶ GOALS

ITAB will achieve an annual growth rate of at least 15% over an extended period.

### ▶ REALISATION

Sales decreased by about 5% in 2018. Over the past five years, average growth was about 11% per year.

### ▶ GOALS

ITAB will maintain and enhance its market-leading position in Europe and develop market share in new markets.

### ▶ REALISATION

ITAB retained its leading position in Europe during 2018. ITAB is one of the leading players in Europe and now also has local market presence in Southern Europe. As part of its work of following major customers into new markets, ITAB also has operations in the Asia, South America and the USA.

### ▶ GOALS

ITAB will develop its all-inclusive offer of complete shop concepts through custom-made fitting concepts, innovative solutions for checkout arena and professional lighting systems.

### ▶ REALISATION

ITAB has been offering shop fitting concepts to retail chains for many years. In recent years, ITAB has extended its offer with both professional lighting systems, self-checkout systems and a digital offer for the physical store. ITAB is now an end-to-end supplier of complete shop concepts.

## STRATEGIC DIRECTION

### ▶ LONG-TERM BUSINESS RELATIONS

ITAB will develop and nurture long-term business relations with chain stores within the food and non-food segments by working closely with its customers and their markets.

### ▶ COMPETENCE, COMMITMENT AND BUSINESSLIKE APPROACH

The competence, commitment and businesslike attitude that characterise the Group will instil trust and confidence in each and every customer.

### ▶ END-TO-END SOLUTIONS

ITAB will offer end-to-end solutions with responsibility for the entire process from concept, design, project management and construction to production, logistics and installation.

### ▶ MARKET EXPERTISE AND INNOVATIVE ABILITIES

ITAB will develop new concepts, products and solutions by utilising its extensive market expertise and innovative abilities while working closely with its customers.

### ▶ HIGHLY EFFICIENT AND FLEXIBLE PRODUCTION RESOURCES

ITAB will use its highly efficient and flexible production resources, assiduous logistics and selected partners to offer the market competitive terms coupled with precise delivery accuracy and quality.

### ▶ EXPANSION ON SELECTED MARKETS

ITAB will use its leading position in Northern Europe to cultivate conditions for further growth and expansion on other selected markets.

## AN ENTIRELY NEW PRODUCT PORTFOLIO FOR THE SHOP OF THE FUTURE

There has been a great deal of development in the traditional retail sector in recent years – and there is still more to do. Shops in the retail sector are undergoing major changes and are set to become more of an experience and meeting place for the consumer. The digital development in the physical shop is driving forward ITAB's development and sales. ITAB is well ahead in several aspects of digital development, and this is entailing more, larger business opportunities. An important strategy for the digital customer experience in-store was launched last year in conjunction with Euroshop, a large trade fair for the retail sector. The offer is based on an all-inclusive solution that includes systems for personal communication, interaction via mobile and other information and order points in the store for seamless transactions and payment. A future shop experience where many of the solutions have already been developed.



## CLICK & COLLECT

Click & Collect is now available at many locations and means that the consumer orders goods in-store or online, before collecting their order from an unmanned collection point. The cabinets range from basic variants to advanced versions for high-capacity robot warehouses. ITAB now has a complete offer, which also includes refrigeration and freezing options for the food segment.



## PIRI - LIGHT, SOUND AND MEDIA IN ONE AND THE SAME SYSTEM

Lighting is an important aspect of the interior design concept when it comes to increasing sales and creating attractive store environments. The right lighting also means substantial energy savings and lower maintenance costs for retail chains. In the event of refurbishment or new construction, energy efficiency is becoming increasingly important and is a high priority area of investment in many retail chains. ITAB has continued to develop lighting systems and can now offer systems that deliver entirely new control, with lighting, sound and images integrated in a wireless network. This means that the shop can control all functions in one and the same system from one place. Through PIRI, the shop can create various experiences for the consumer in different locations around the shop.



## PICK & GO WITH AIRFLOW

ITAB's next concept in the checkout arena is called Pick&Go with AirFLOW. Here, technology from EasyFLOW is being moved out into the shop. The idea behind the system is to make things easier for the consumer, as the product is registered as a purchase immediately when you take it down from the shelf. AirFLOW and AmazonGo share common principles and benefits. The system is currently under development, with a first version of the system being presented at EuroShop in March 2017.

## SELF-CHECKOUT FOR FASHION

Retail chains in the non-food segment are looking for solutions to provide a simple and attractive in-store experience. ITAB merged its teams working within fashion design and self-checkout solutions, and they succeeded in developing one of the world's first concepts for self-checkouts within fashion. By creating a secure process, where the customer can personally scan goods and deactivate alarms, this offers the potential for self-checkouts in the shop. The system makes it possible to have more staff in the shop, while the systems can be open at all times in order to optimise the flows and minimise queues.



## ENDLESS AISLE

Endless Aisle is targeted mainly at retail chain stores that do not stock the entire range in-store. Using the service, it will be possible to order products that are missing, either to the shop's collection system or directly to the customer's home. The combination of shopping in-store and being able to order online at the same time is becoming increasingly common.

# ANNUAL GENERAL MEETING 2019

The Annual General Meeting will be held on Wednesday 8 May 2019, at 4 p.m. in Jönköping. The annual report for 2018 will be available in mid-April at ITAB Shop Concept's head office and in digital format on the website [www.itab.se](http://www.itab.se). The annual report together with the material for the AGM will be published on [www.itab.se](http://www.itab.se).

## Proposal for dividend

The Board proposes to the Annual General Meeting that there will be no dividend for the financial year 2018.

## Authorisation of repurchase of company shares

The Board will propose the Annual General Meeting to provide the Board with a renewed mandate to decide on share repurchases. Such a mandate would allow the Board to resolve on repurchasing of company shares up until the next Annual General Meeting. Any such repurchase may take place via the stock exchange or through offers to shareholders. The Board's mandate would include the option to transfer repurchased shares within the framework of the law.

## Authorisation of new share issue

The Board of Directors will propose that the AGM grants the Board renewed authorisation to make decisions regarding the new issue of class B shares amounting to at most one-tenth of the company's issued shares. Such a mandate would allow the Board to resolve on new share issues up until the next AGM. The terms and con-

ditions of an issue, including the issue price, will be based on a market evaluation in which the issue price in each case is set as close to the market value as possible, less any discount that may be required to generate interest in the offering.

## Nomination Committee

At the 2018 AGM, a Nomination Committee was appointed comprising Anders Rudgård as chairman, Fredrik Rapp och Stig-Olof Simonsson. The Nomination Committee's task for the 2019 AGM is to propose candidates for Chairman of the Board and Board members, for the post of meeting chairman and auditors, as well as fees and other remuneration for the Board and auditors.

Jönköping 5th of February 2019

ITAB Shop Concept AB (publ)

The Board of Directors

*This document is a translation of the report for ITAB Shop Concept AB published in Swedish. In the event of discrepancy between the English text and the Swedish, the Swedish text shall prevail.*

*This report contains information that ITAB Shop Concept AB (publ) is required to disclose under the Swedish MAR. The information was submitted for publication in Swedish at 1 pm on 5 February 2019.*



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## FINANCIAL INFORMATION

|                             |                 |
|-----------------------------|-----------------|
| Interim report Jan-Mar 2019 | 8 May 2019      |
| Annual General Meeting 2019 | 8 May 2019      |
| Interim report Jan-Jun 2019 | 10 July 2019    |
| Interim report Jan-Sep 2019 | 25 October 2019 |
| Year-end report 2019        | 6 February 2020 |