ITAB

# 2014
# ANNUAL REPORT


"Improving the
Shop Experience..."

# 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.

# BUSINESS GOALS

- ITAB will achieve an annual growth rate of at least 15 per cent over an extended period. ITAB will maintain and enhance its market-leading position in Northern Europe and develop market shares in new markets. ITAB will develop its all-inclusive offer of complete shop concepts through custom-made fitting concepts, innovative solutions for checkout aisles and professional lighting systems.

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

## CONTENTS



# 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. Customers include the major players throughout most parts of Europe.





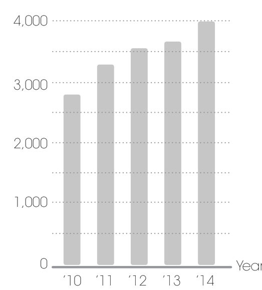

▲ ITAB Shop Concept is a leader in the market for retail checkouts in Europe, as well as being one of Europe's largest suppliers of shop fittings and lighting systems.

## GEOGRAPHIC PRESENCE

- Market presence
- ITAB Offices/Production

## SALES

# SEK 3,938 MILLION

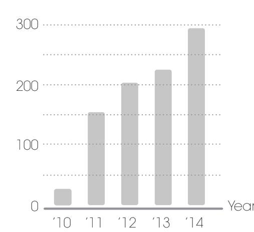



## OWN ACTIVITIES

# 21 COUNTRIES

## PROFIT AFTER FINANCIAL ITEMS

# SEK 288 MILLION

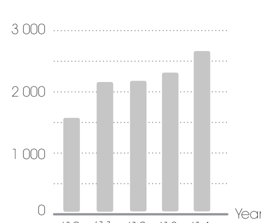



## PRODUCTION AND LOGISTICS AREA

# 300 000 m$^2$

## NUMBER OF EMPLOYEES ON THE CLOSING DAY

# 2,642 PEOPLE




## WORKING MODEL

In order to develop and nurture long-term business relations, ITAB has long worked according to a model that is aimed at working closely with its customers and their markets. The project management function, which is a central element in the model, makes it possible to offer all-inclusive solutions with responsibility for the entire process, from concept to ready-made shop.

# ITAB 2014 IN BRIEF

ITAB has had its best year to date, both in terms of sales and earnings. During the year, the Group has strengthened its market position in most of its markets, and the improvement in profits relates principally to the long-term work being conducted to gradually improve the gross margin. ITAB has installed the EasyFlow self-checkout system at Lidl during the year, and seven businesses were acquired at the end of the year.

## EASYFLOW TO LIDL

- At the start of the year, ITAB supplied the fully automatic EasyFlow self-checkout system to one of Lidl's stores in the Swedish market. The delivery is extremely important for ITAB, as it means that one of the leading supermarket chains in Europe is choosing to install EasyFlow.

## SEVEN ACQUISITIONS DURING Q4

- Seven acquisitions were conducted during the final quarter of the year, three of which were bankrupt estates. The acquisitions are in line with the Group's continued focus on complete store concepts and are further strengthening ITAB's market position. The acquisitions have been incorporated into the Group, and will increase the capacity in ITAB's existing production units in the future.

## SUMMARY 2014

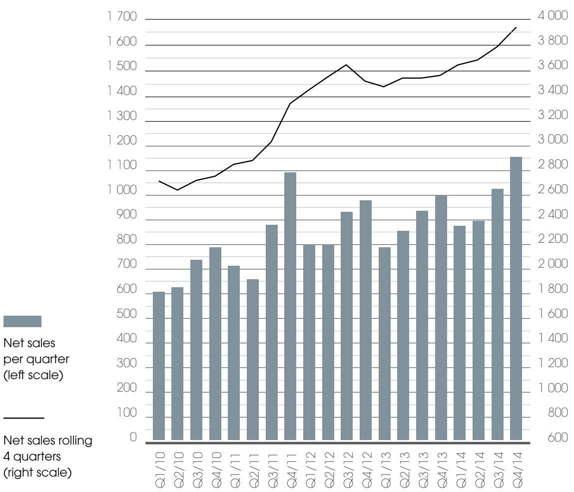
- Net sales increased by 10% to SEK 3,938 million (3,574)
- Operating profit rose by 32% to SEK 325 million (246)
- Profit after financial items rose by 33% to SEK 288 million (217)
- Earnings per share rose by 34% to SEK 6.03 (4.49)

## ITAB GROUP IN FIGURES

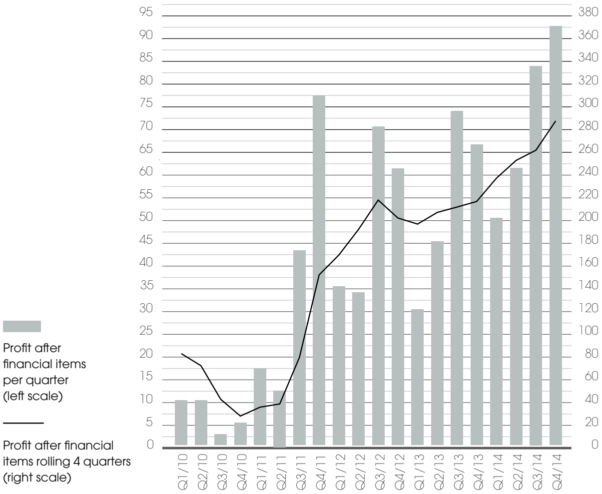
| | | 2014 | 2013 |
|---|---|---|---|
| Net sales | SEK million | 3,938 | 3,574 |
| Growth | % | 10 | 2 |
| Operating profit | SEK million | 325 | 246 |
| Operating margin | % | 8.3 | 6.9 |
| Profit after net financial items | SEK million | 288 | 217 |
| Profit after tax | SEK million | 218 | 162 |
| Earnings per share | SEK | 6.03 | 4.49 [2] |
| Dividends per share | SEK | 2.50 [1] | 1.50 [2] |
| Equity per share | SEK | 36.14 | 29.39 [2] |
| Return on equity | % | 18.8 | 16.6 |
| Portion of risk-bearing capital | % | 46.2 | 42.5 |
| Share price at the end of the period | SEK | 131.00 | 86.00 [2] |
| Average number of employees during the year | no. | 2,441 | 2,277 |
| Equity/assets ratio | % | 42.3 | 39.1 |
| Net liability | SEK million | 880 | 890 |

*1) The Board's proposal for dividends for the 2014 financial year*
*2) Recalculated with regard to implemented share split 2:1*

▼ **SALES (SEK million)**




▼ **PROFIT (SEK million)**




# Q1

▶ **SALES**
SEK 863 million (786)

▶ **OPERATING PROFIT**
SEK 58 million (35)

▶ **PROFIT AFTER FINANCIAL ITEMS**
SEK 50 million (30)

# Q2

▶ **SALES**
SEK 899 million (853)

▶ **OPERATING PROFIT**
SEK 68 million (50)

▶ **PROFIT AFTER FINANCIAL ITEMS**
SEK 61 million (46)

# Q3

▶ **SALES**
SEK 1,025 million (935)

▶ **OPERATING PROFIT**
SEK 95 million (85)

▶ **PROFIT AFTER FINANCIAL ITEMS**
SEK 84 million (74)

# Q4

▶ **SALES**
SEK 1,151 million (1,000)

▶ **OPERATING PROFIT**
SEK 104 million (76)

▶ **PROFIT AFTER FINANCIAL ITEMS**
SEK 93 million (67)

# Q1–Q2

▶ **SUPPLYING EASYFLOW TO LIDL.** ITAB is supplying the fully automatic EasyFlow self-checkout system to one of Lidl's stores in the Swedish market. Lidl is one of Europe's leading players in the low-price food sector.

▶ **COMPLETE STORE CONCEPT FOR DRESSMANN.** ITAB is entering into an agreement for a two-year collaboration with Dressmann, one of Scandinavia's largest players within ready-to-wear clothing. Dressmann has around 400 stores in the Nordic region and Germany, and is the Varner Group's oldest and most established chain. ITAB's geographic presence in Europe and its long collaboration with other chains in the Varner Group were both contributory factors in the choice of ITAB as a business partner.

# Q3–Q4

▶ **FRAMEWORK AGREEMENT WITH EDEKA, ONE OF GERMANY'S LARGEST SUPERMARKET CHAINS, REGARDING SELF-CHECK-OUT SYSTEMS.** The agreement initially relates to installations of the MoveFlow self-checkout system. ITAB's comprehensive, flexible self-checkout concept was an important factor for a future collaboration.

▶ **ACQUISITION OF THE BANKRUPT ESTATES OF NEW STORE EUROPE IN THE NETHERLANDS, NORWAY AND SWEDEN, AS WELL AS NEW STORE EUROPE DENMARK.** The businesses focus primarily on concept sales to the Nordic and Dutch markets, and will strengthen ITAB's market position in the future.

▶ **ACQUISITION OF LIGHTING COMPANIES IN NORWAY AND THE UK.** Through the acquisitions, ITAB is strengthening its position on the Norwegian and British lighting markets. The acquisitions are in line with the Group's continued focus on concept and lighting sales.

# CEO ULF ROSTEDT ON 2014

ITAB has had its best year to date, both in terms of sales and earnings. During the year, the Group has retained or strengthened its market position in most of its markets.

Currency-adjusted sales increased by 6% compared to last year, and profit after financial items increased by 33%. The cash flow has improved compared to last year, primarily as a result of streamlined capital management and improved profit. The gross margin has continued to develop positively during the period, principally due to increased capacity in our production units, but also through the long-term rationalisation work being implemented in the Group.

During the year, we have continued our market expansion activities and marketing activities, primarily within lighting and self-checkouts. We are beginning to see the effects of the initiatives that have been implemented to date.

## SELF-CHECKOUT CONCEPT

At the start of the year, ITAB installed the EasyFlow self-checkout system at Lidl. This installation is extremely important, as it is the first store run by a leading supermarket chain in Europe that provides EasyFlow to consumers. The installation has proceeded in accordance with our expectations. We are following the plan to expand with a further installation in Sweden.

We have entered into a framework agreement with EDEKA regarding self-checkout solutions. The agreement initially relates to installations of the MoveFlow self-checkout system. ITAB's comprehensive, flexible self-checkout concept was an important factor for a future collaboration. The agreement is strengthening ITAB's position in the German market.

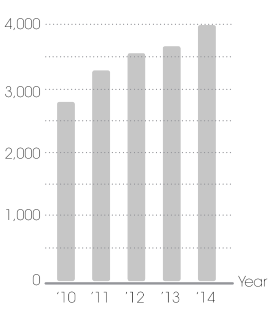
A number of pilot installations of our self-checkout products have been carried out in major chains around Europe. There is considerable interest in the products, as they provide the conditions for streamlining, cost savings and improved service in stores. At the start of 2015, we have participated with our self-checkout concept at NRF in New York, a major trade fair for technical solutions in the retail sector. There we had the opportunity to present our products to the American market, the world's largest market for self-checkout solutions.

## PROFESSIONAL LIGHTING SYSTEMS

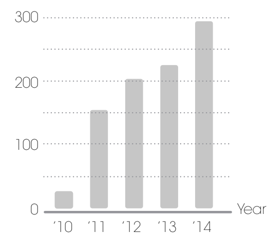
At the end of the year, we acquired Eurolys in Norway and Profile Lighting in the UK. Both companies sell lighting products to the retail sector. The acquisitions are further expanding our base for lighting sales.

We have launched a new concept for linear LED products. Several of our customers are interested in these products, and the proportion of LEDs is continuing to grow. We are continuing to invest in product development in this area. Through acquisitions and the establishment of our own lighting companies, we have a good basis for the continued development of lighting sales. We can offer our customers a combination of local lighting expertise with global sourcing of lighting products.

**NET SALES (SEK M)**




**PROFIT AFTER FINANCIAL ITEMS (SEK M)**



## STRENGTHENED MARKET POSITION THROUGH ACQUISITION OF CONCEPT COMPANIES

During the fourth quarter, the bankrupt estates of New Store Europe Norway, Sweden and the Netherlands were acquired, as well as New Store Europe Denmark. These companies focus primarily on concept sales to the non-food segment in the Nordic and Dutch markets. The operations have been successfully incorporated into the Group, despite the high workload in our units during the period. The operations in Norway and Sweden have been integrated into existing companies, and the operation in Denmark is being run as a separate company. In the Netherlands, the operations are being merged in order to streamline them.

The acquisitions have initially taken up resources, but in future will increase the capacity in ITAB's existing production units. During 2015, the NSE companies are expected to supply approx. SEK 500 million in sales and to be profitable. The acquisitions are in line with the Group's continued focus on complete store concepts and are further strengthening ITAB's market position.

At the end of the year, we acquired 51% of Reklamepartner in Norway. This company produces and sells in-store communications to the Norwegian retail sector.

After the end of the period, we have acquired JPD in Latvia. This company conducts concept sales to the non-food segment in the European market, and its profitability is in line with the Group as a whole.

## EXPANDED CAPACITY

We have decided to expand our production capacity in a number of locations in the Group. The largest expansion will be in Lithuania, totalling approximately 6,000 m$^2$, and we will be increasing the capacity in existing production facilities. The combination of local and flexible production coupled with centralised volume production enables the Group to meet specific requirements and preferences from different customers in different markets. We have the strength and the capacity to expand in line with our major customers. Our global presence is becoming even more important, as several of our customers are expanding around the world.

## AN ALL-INCLUSIVE OFFER

ITAB can now offer entire shop concepts including custom-made fitting concepts, checkouts, self-checkout systems and professional lighting systems. Through our concept and product portfolio, working model and geographic presence, we have the capacity to offer all-inclusive solutions to major retail chains in Europe. We will continue to develop our offer in order to create more effective and more attractive shop environments for our customers.

## LOOKING FORWARD TO 2015

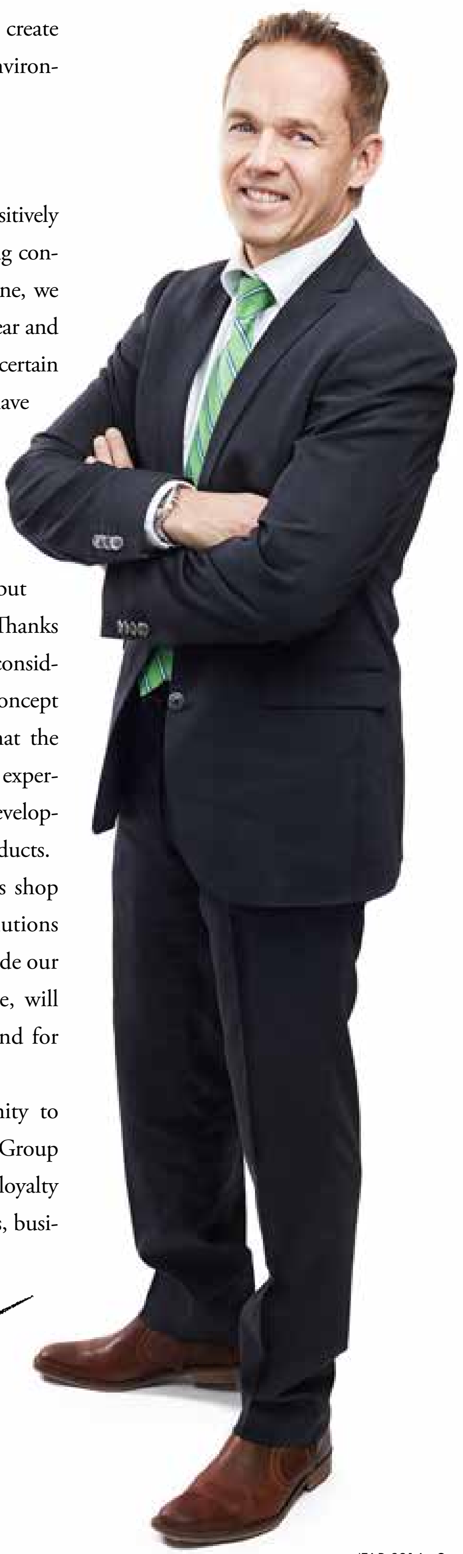
Several of our markets have developed positively compared to last year, and we are expecting continued good growth. In Russia and Ukraine, we have reviewed our operations during the year and made adjustments to meet the current uncertain market situation. In the Netherlands, we have merged our units and streamlined operations to meet market requirements.

In the long term, we believe that our customers will be on the look-out for more effective solutions, both for shops but also for the process of establishing shops. Thanks to our experiences over the year, we have considerable confidence in our self-checkout concept for the years ahead. We also consider that the Group is well prepared, both in terms of expertise and capacity, for the high rate of development being witnessed as regards LED products.

Our all-inclusive offer, which includes shop concepts, checkouts, self-checkout solutions and professional lighting systems, alongside our working model and geographic presence, will lead to better business both for ITAB and for our customers.

Finally, I want to take this opportunity to extend a warm thank you to all ITAB Group employees for your dedication and your loyalty in 2014. Thank you also to our customers, business partners and shareholders.

Ulf Rostedt, CEO
ITAB Shop Concept AB



# THE ITAB SHARE

ITAB's Class B shares were registered on the stock exchange on 28 May 2004. The share is listed on NASDAQ Stockholm in the Mid Cap segment. The share capital in ITAB amounts to SEK 42.38 million distributed between 7,800,000 Class A shares and 26,106,410 Class B shares. Each Class A share entitles the holder to ten votes and each Class B share to one vote. All shares have equal rights to dividends. The nominal value is SEK 1.25 per share.

## SHARE SPLIT 2:1

At the AGM on 7 May 2014, it was decided to split the company's shares 2:1, which means that each share was divided into two shares of the same type. After the split, the shares in ITAB were traded as from 21 May 2014. All figures have been recalculated with regard to the split.

## SHARE PRICE DEVELOPMENT

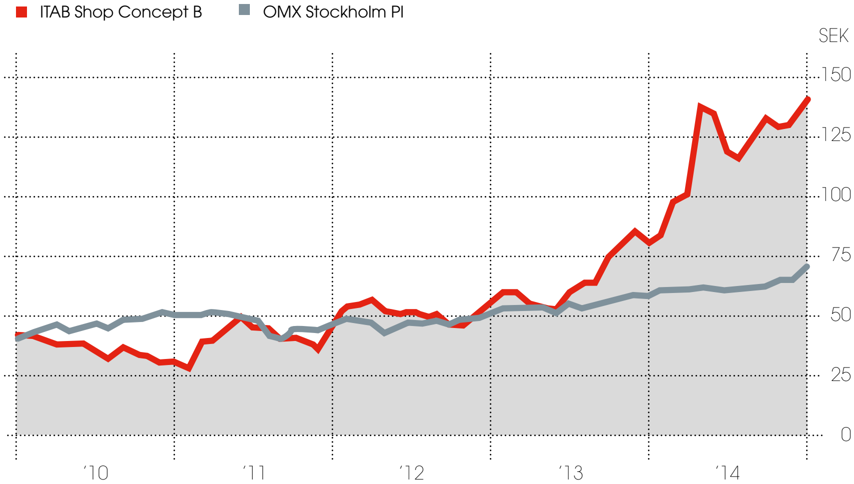
During 2014, ITAB's share price increased by 52 per cent from SEK 86 to SEK 131. Based on the closing price on 31 December 2014, the total value stood at SEK 4,442 million. The highest price paid during the year was quoted on 21 May at SEK 154.00 and the lowest price was quoted on 20 February at SEK 75.75.

## SHAREHOLDERS

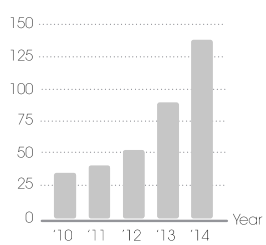
At the end of 2014, ITAB had 2,608 shareholders (2,098), which is 510 more than at the same time last year. The ten largest shareholders jointly held 91.22 per cent (92.35) of the votes and 73.89 per cent (77.24) of the capital. Institutional ownership made up 4.34 per cent (4.74) of the votes and 13.32 per cent (14.55) of the capital.

**SHARE PERFORMANCE OVER 5 YEARS**

ITAB Shop Concept is listed on Nasdaq Stockholm.




**SHARE PRICE ON CLOSING DAY (SEK)**

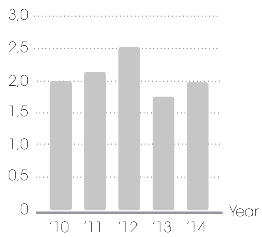


## KEY RATIOS

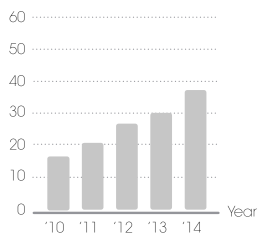
| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Regular dividend | 2.50[1] | 1.50 | 1.25 | 0.75 | 0.625 |
| Dividend as a percentage of net earnings | 41 | 33 | 26 | 18 | 80 |
| Average number of outstanding shares | 33,906,410 | 33,906,410 | 32,279,958 | 28,571,904 | 28,571,896 |
| Actual number of shares at year-end | 33,906,410 | 33,906,410 | 33,906,410 | 28,571,904 | 28,571,904 |
| Share price on closing day (SEK) | 131.00 | 86,00 | 50,75 | 36,50 | 31.00 |
| Market capitalisation at the end of the year (SEK m) | 4,441.7 | 2,916.0 | 1,720.8 | 1,042.9 | 885.7 |
| Highest/Lowest price | 154.00/75.75 | 91.00/50.25 | 60.00/36.38 | 51.88/27,50 | 45.25/28.50 |
| Direct yield (%) | 1.9 | 1.7 | 2.5 | 2.1 | 2.0 |
| Earnings per share | 6.03 | 4.49 | 4.74 | 4.20 | 0.79 |
| Equity per share | 36.14 | 29.39 | 26.09 | 19.56 | 16.05 |

[1] *The Board's proposal for dividends for the 2014 financial year*

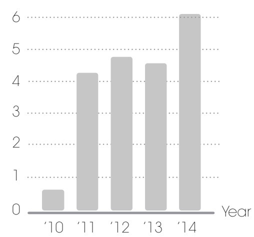
**DIRECT YIELD (%)**




**EQUITY PER SHARE (SEK)**




**EARNINGS PER SHARE (SEK)**



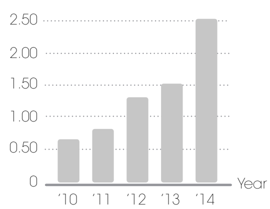

## SHARE DATA 31.12.2014

- ALL TIME HIGH (UP TO AND INCLUDING 2014) SEK 154 (21.05.2014)
- TRADING LOT 1 share
- LISTING Nasdaq OMX Stockholm's Mid Cap list
- SHORT NAME ITAB B
- SECTOR CLASSIFICATION Industrial Goods & Services
- ISIN CODE SE0005992567

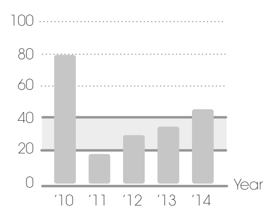
## DIVIDEND POLICY

- The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.50 per share (1.50) for the 2014 financial year. The total dividend amounts to SEK 84,766 thousand (50,860) based on the number of shares on 31 December 2014.
- It is the objective of the Board of Directors that dividends over an extended period will follow the company's results and correspond to around 20-40% 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.

**DIVIDENDS (SEK)**




**DIVIDEND AS A PERCENTAGE OF NET EARNINGS (%)**



## SHAREHOLDERS, 31.12.2014

| Name | Number of shares | Class A shares | Class B shares | No. of votes | Percentage of votes (%) | Percentage of share capital (%) |
|---|---|---|---|---|---|---|
| Tord Johansson with company and family | 8,223,180 | 5,228,800 | 2,994,380 | 55,282,380 | 53.10% | 24.25% |
| Pomonagruppen AB | 10,047,016 | 2,160,000 | 7,887,016 | 29,487,016 | 28.32% | 29.63% |
| Kennert Persson | 1,274,400 | 312,400 | 962,000 | 4,086,000 | 3.92% | 3.76% |
| Handelsbanken Fonder AB | 1,608,709 | | 1,608,709 | 1,608,709 | 1.55% | 4.74% |
| Stig-Olof Simonsson with company | 1,074,766 | | 1,074,766 | 1,074,766 | 1.03% | 3.17% |
| Christer Persson with family | 368,800 | 66,800 | 302,000 | 970,000 | 0.93% | 1.09% |
| Petter Fägersten with family | 651,458 | | 651,458 | 651,458 | 0.63% | 1.92% |
| Livförsäkringsbolaget Skandia | 641,293 | | 641,293 | 641,293 | 0.62% | 1.89% |
| Anna Benjamin with family | 631,820 | | 631,820 | 631,820 | 0.61% | 1.86% |
| Carnegie Fonder | 530,670 | | 530,670 | 530,670 | 0.51% | 1.57% |
| Fourth AP Fund | 453,811 | | 453,811 | 453,811 | 0.44% | 1.34% |
| Second AP Fund | 426,379 | | 426,379 | 426,379 | 0.41% | 1.26% |
| DnB Carlson Fonder | 387,932 | | 387,932 | 387,932 | 0.37% | 1.14% |
| Försäkringsaktiebolaget Avanza Pension | 358,446 | | 358,446 | 358,446 | 0.34% | 1.06% |
| Länsförsäkringar fondförvaltning AB | 342,012 | | 342,012 | 342,012 | 0.33% | 1.01% |
| Anders Moberg[1)] | 300,000 | | 300,000 | 300,000 | 0.29% | 0.88% |
| Skandia Fonder | 238,109 | | 238,109 | 238,109 | 0.23% | 0.70% |
| Fanny Persson | 66,800 | 16,000 | 50,800 | 210,800 | 0.20% | 0.20% |
| Sune Lantz | 209,960 | | 209,960 | 209,960 | 0.20% | 0.62% |
| Christoffer Persson | 46,035 | 16,000 | 30,035 | 190,035 | 0.18% | 0.14% |
| Other shareholders | 6,024,814 | | 6,024,814 | 6,024,814 | 5.79% | 17.77% |
| | **33,906,410** | **7,800,000** | **26,106,410** | **104,106,410** | **100.00** | **100.00** |

*Class A shares grant entitlement to 10 votes and Class B shares grant entitlement to 1 vote. The proportion of institutional ownership as per 31.12.2014 was 4.34% (4.74%) of the voting rights and 13.32% (14.55%) of the share capital.*
*Information about the number of shares refers to shareholdings as per 31 December 2014 and includes, where relevant, holdings via companies, spouses and minors.*

*[1)]Owned via an endowment policy*

## DISTRIBUTION OF SHARES 31.12.2014

| Share holding | No. of shareholders | No. of share-holders (%) | Number of shares | Number of shares (%) | Class A shares | Class B shares |
|---|---|---|---|---|---|---|
| 1-1,000 | 1,908 | 73.15% | 561,025 | 1.65% | | 561,025 |
| 1,001-5,000 | 501 | 19.21% | 1,195,575 | 3.53% | | 1,195,575 |
| 5,001-10,000 | 80 | 3.07% | 575,658 | 1.70% | | 575,658 |
| 10,001-50,000 | 78 | 2.99% | 1,677,696 | 4.95% | 32,000 | 1,645,696 |
| 50,001-100,000 | 15 | 0.58% | 1,071,165 | 3.16% | 66,800 | 1,004,365 |
| 100,001- | 26 | 1.00% | 28,825,291 | 85.01% | 7,701,200 | 21,124,091 |
| **TOTAL** | **2,608** | **100.00%** | **33,906,410** | **100.00%** | **7,800,000** | **26,106,410** |

## SHARE CAPITAL TREND

| Yr | Transaction | Change in share capital (SEK thousands) | Total share capital (SEK thousands) | Total no. of shares | Nominal value per share (SEK) |
|---|---|---|---|---|---|
| 1987 | Forming of company | 50 | 50 | 500 | 100 |
| 1997 | New share issue | 50 | 100 | 1,000 | 100 |
| 1998 | New share issue | 8,500 | 8,600 | 86,000 | 100 |
| 2004 | Bonus issue | 8,600 | 17,200 | 172,000 | 100 |
| 2004 | 20:1 split | - | 17,200 | 3,440,000 | 5 |
| 2004 | New share issue | 16,281 | 33,481 | 6,696,200 | 5 |
| 2006 | New share issue | 1,500 | 34,981 | 6,996,200 | 5 |
| 2007 | 2:1 split | - | 34,981 | 13,992,400 | 2.5 |
| 2008 | New share issue | 725 | 35,706 | 14,282,400 | 2.5 |
| 2008 | Conversion | 0 | 35,706 | 14,282,500 | 2.5 |
| 2009 | Conversion | 9 | 35,715 | 14,285,940 | 2.5 |
| 2010 | Conversion | 0 | 35,715 | 14,285,952 | 2.5 |
| 2012 | Conversion | 6,668 | 42,383 | 16,953,205 | 2.5 |
| 2014 | 2:1 split | - | 42,383 | 33,906,410 | 1.25 |

## SHARE SPLIT 2:1

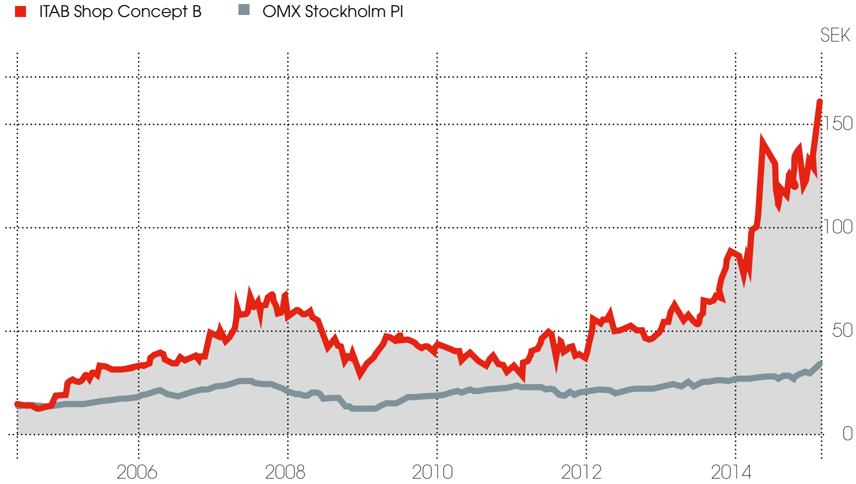
- At the Annual General Meeting on 7 May 2014, it was decided to split the company's shares 2:1, which means that each share was divided into two shares of the same type.

## 10 YEARS ON THE STOCK EXCHANGE AS ITAB SHOP CONCEPT AB

- On 28 May 2004, ITAB Shop Concept AB was quoted on the stock exchange and traded on First North after having been hived off from ITAB Industri AB, and the average price on the first day was SEK 15.

**SHARE PERFORMANCE OVER 10 YEARS**

ITAB Shop Concept is listed on Nasdaq Stockholm.




## CONVERTIBLE DEBENTURE LOAN

**In order to provide employees at ITAB the potential to participate in the Group's development, all employees were offered the chance in 2012 and 2014 to participate in convertible debenture schemes, both of which had a duration of four years. Both convertible debenture schemes where heavily oversubscribed.**

- During the period 22 May to 2 June 2014, a subscription for convertible shares was carried out in which all ITAB employees had the right to subscribe, for a maximum total of SEK 30 million. The allocation totalled 100,334 convertibles, and during the period 1 June 2018 to 11 June 2018 each convertible can be converted to two Class B shares at a conversion rate of SEK 149.50 (the recalculation has taken place as a result of the implemented share split 2:1).
- During the period 4 June to 14 June 2012, a subscription for convertible shares was carried out in which all ITAB employees had the right to subscribe, for a maximum total of SEK 40 million. The allotment was 325,203 convertibles that can be converted to two Class B shares at a conversion price of SEK 61.50 during the period 1 June 2016 to 10 June 2016 (the recalculation has taken place as a result of the implemented share split 2:1).

## NUMBER OF SHARES AND RESULTS WITH CONVERTIBLE DEBENTURE LOAN

| | 2014 | 2013 |
|---|---|---|
| Average number of outstanding shares | | |
| before dilution (shares) | 33,906,410 | 33,906,410 |
| after dilution (shares) | 34,757,484 | 34,556,816 |
| Actual number of shares at year-end | | |
| before dilution (shares) | 33,906,410 | 33,906,410 |
| after dilution (shares) | 34,757,484 | 34,556,816 |
| Earnings per share | | |
| before dilution (SEK) | 6.03 | 4.49 |
| after dilution (SEK) | 5.92 | 4.44 |

# BUSINESS CONCEPT, STRATEGIES AND GOALS

## 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.

## ITAB's STRATEGIC APPROACH

### ▶ 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.

### ▶ ALL-INCLUSIVE SOLUTIONS

ITAB will offer all-inclusive solutions by assuming responsibility for the entire process – from concept, design, project management and construction to production, logistics and installation.

### ▶ MARKET EXPERTISE AND INNOVATIVENESS

ITAB will develop new concepts, products and solutions by utilising its extensive market expertise and innovativeness 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 IN SELECTED MARKETS

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

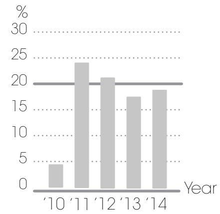
▲ **ITAB's GEOGRAPHIC LOCATION AND WORKING MODEL**
ITAB will develop and nurture long-term business relations with chain stores within the food and non-food segments by working closely with its customers and their markets.

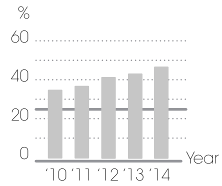
# ITAB's BUSINESS TARGETS

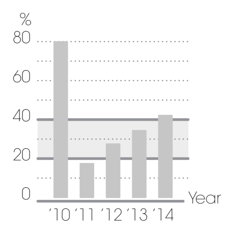
| GROWTH GOALS | DESCRIPTION | REALISATION |
|---|---|---|
| ITAB will achieve an annual growth rate of at least 15% over an extended period. | The target includes both organic and acquired growth. Organic growth will be accomplished through greater market shares and product development. Acquisitions will be made of both complementary businesses and in new markets. | Sales increased by about 10% in 2014. Over the past five years, average growth was about 9% per year. |
| ITAB will maintain and enhance its market-leading position in Northern Europe* and develop market shares in new markets.<br><br>**Northern Europe includes the Nordic countries, the Baltic countries, the UK, Benelux, Poland, Germany, the Czech Republic, Slovakia, Hungary, Russia and Ukraine.* | This goal is linked to ITAB's business concept, which states "With its expertise, long-term business relationships and innovative products, ITAB will secure a market-leading position in selected markets".<br>ITAB will use its strong position in the Northern European market to create and retain long-term business relations and follow major customers into new markets. | ITAB retained its leading position in Northern Europe during 2014. As part of its work of following major customers into new markets, ITAB now has operations in the USA, Asia, Chile and India. At the end of the year, we also started establishing a company in Brazil. |
| ITAB will develop its all-inclusive offer of complete shop concepts through custom-made fitting concepts, innovative solutions for checkout aisles and professional lighting systems. | This goal is linked to ITAB's business concept, which states "ITAB will offer complete shop concepts for retail chain stores".<br>ITAB will develop all-inclusive solutions for more effective and more attractive shops by utilising its extensive market expertise and innovativeness, while also working closely with its customers. | ITAB has been offering shop fitting concepts to retail chains for years.<br>In recent years ITAB has extended its offer with both professional lighting systems and self-checkout systems. ITAB is now an all-inclusive supplier of complete shop concepts. |

# ITAB's FINANCIAL TARGETS

| GOALS | DESCRIPTION | REALISATION |
|---|---|---|
| **RETURN ON EQUITY**<br>Over an extended period, ITAB will have a minimum 20% return on equity. | Generating good return on equity is a critical goal for ITAB. The level has been determined with consideration to ITAB's capital structure and expected earning capacity. | In 2014, return on equity reached 18.8%. Over the past five years, return on equity has averaged approximately 17%. |
| **RISK-BEARING CAPITAL**<br>ITAB will have at least 25% cent risk-bearing capital. | The risk-bearing capital goal should be viewed as an expression of the lowest acceptable level in terms of a stable financial position. | The proportion risk-bearing capital was 46.2% at 31 December 2014. Over the past five years, the proportion risk-bearing capital has varied between 34.9% and 46.2%. |
| **DIVIDENDS**<br>ITAB's share dividends will, over an extended period, mirror the company's earnings and correspond to between 20 and 40% 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. | The goal has been set to ensure a stable financial situation for continued expansion while concurrently giving shareholders a reasonable portion of the profits. | The proposed dividend for the 2014 financial year is SEK 2.50, which corresponds to approximately 41% of the earnings per share. Over the past five years, the dividend proportion has varied between 18% and 80%. |



# EXPANSION THROUGH ORGANIC GROWTH AND CORPORATE ACQUISITIONS

"Resolute and gradual growth has produced a group with market presence in large parts of Europe."

Through organic growth and strategically planned business acquisitions, ITAB is today one of Europe's leading players in custom-made shop fitting concepts, checkouts, self-checkout systems and professional lighting systems.

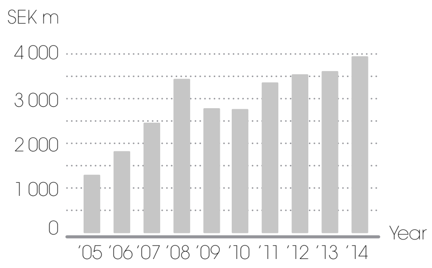
Resolute and gradual growth has produced a group with market presence in large parts of Europe. Through the concept and product portfolio, working model and geographic presence, ITAB now has the capacity to offer all-inclusive solutions to major retail chains in Europe. ITAB is now one of Europe's strongest players and the market-leader in the Nordic, Baltic and UK markets and one of the largest players in Central Europe and the Benelux countries.

## EXPANSION WITH PROFITABILITY AND YIELD

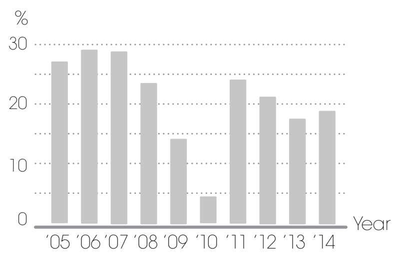
Throughout the start of the 21st century, ITAB has expanded substantially through organic growth and strategic business acquisitions. Over the past ten years, growth has averaged at around 15% per year.

Despite the high rate of expansion, the Group has grown profitably. The average return on equity over the past ten years has amounted to approx. 21% per year, and the Group has had a dividend share to shareholders of between 15% and 80% of profit. The average dividend growth over the past ten years has been 23%.

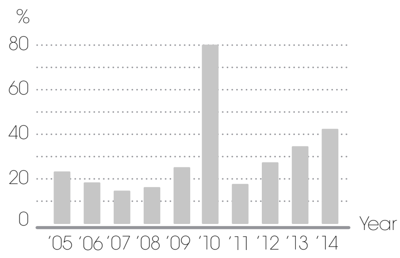
**TURNOVER 10 YEARS (SEK M)**




**RETURN ON EQUITY 10 YEARS (%)**




**DIVIDEND SHARE AS A PERCENTAGE OF PROFIT 10 YEARS (%)**



# ITAB's MARKET PRESENCE AND BUSINESS ACTIVITIES

**2009–2011**
- Establishment of ITAB Shop Concept Polska
- Acquisition of Nordic Light Group AB with operations in Sweden, China and the USA

**2012-2014**
- Acquisition of ITAB Europa in the UK
- Acquisition of the remaining portion of Prolight Försäljning in Sweden
- Establishment of company in Chile
- Establishment of company in India
- Establishment of company in Hungary
- Acquisition of the bankrupt estates of New Store Europe in Sweden, Norway and the Netherlands, as well as NSE's company in Denmark.
- Acquisition of Profile Lighting in the UK
- Acquisition of Eurolys in Norway
- Acquisition of 51% of Reklamepartner in Norway
- Commenced establishment of operation in Brazil

**2015**
- Acquisition of JPD in Latvia

● Market presence
● ITAB Offices/Production

---

1998

2004

2006

2008

**1990–1998**
- Acquisition of ITAB Shop Concept Jönköping
- Acquisition of ITAB in Norway
- Acquisition of ITAB Denmark
- Acquisition of ITAB Finland
- Acquisition of ITAB Shop Products

**1999–2002**
- Acquisition of ITAB Shop Concept Netherlands
- Acquisition of ITAB Baltic in Latvia

**2003–2004**
- Acquisition of ITAB Shop Concept CZ in the Czech Republic
- Acquisition of Stenestams Industri (now included in ITAB Shop Concept Jönköping)
- Acquisition of Lindco AS in Norway
- The ITAB Shop Concept AB Group Is hived off from ITAB Industrier and listed on First North

**2005–2006**
- Acquisition of ITAB in the UK
- Acquisition of ITAB Pharmacy Concept in Norway
- Acquisition of PremOers (now included in the Dutch operation)
- Acquisition of ITAB Novena in Lithuania

**2007**
- The newly built production facility in Boskovice in the Czech Republic is taken into operation.
- Acquisition of Sintek in Sweden (included in current ITAB Pharmacy Concept)
- Acquisition of Hansa Kontor Shopfitting Group in Germany and the UK
- Acquisition of ITAB Pan-Oston in Finland

**2008**
- Acquisition of ITAB Scanflow
- Acquisition of L-form in Sweden (now included in ITAB Shop Products)
- Change of stock exchange list to Nasdaq OMX Stockholm


**ÅHLÉNS**
ITAB has supplied shop fittings for the chain's new shop concept.

# LONG-TERM BUSINESS RELATIONSHIPS SECURE STRONG MARKET POSITION

ITAB's market position and growth are built on close, long-term collaboration with its customers. The Group's organisational structure, working model and ability to be an all-inclusive supplier makes it possible to follow customers into new markets while retaining the same level of service.

## GEOGRAPHIC PROXIMITY TO OUR CUSTOMERS

ITAB's geographic market extends to the Baltic countries, Benelux, the Nordic region, Poland, Russia, the UK, Germany, Ukraine and Hungary. ITAB is the market leader in the Nordic countries, the UK and the Baltic countries. The company also ranks among the top market players in Benelux, Germany and Poland. In line with our strategy of following major customers into new markets, ITAB now operates in Asia, India, the USA and Chile. At the end of the year, ITAB started to establish a company in Brazil that will primarily supply lighting systems.

### LONG-TERM CUSTOMER RELATIONS WITH EUROPE'S LARGEST PLAYERS

Market demand for shop fitting concepts is driven by start-ups and refurbishment of shops and chains in the food and non-food segments. Delivering to these customers means satisfying extreme requirements in terms of market presence, production capacity and efficiency. ITAB has the strength and capacity to create long-term customer relationship and expand at a rate that matches the establishment of Europe's most attractive chain stores.

To create long-term customer relationships and utilise synergies, ITAB has a number of market area directors who are each in charge of areas covering several countries. Companies in various markets can then jointly co-operate and deliver to a customer that is established on several markets. The project manager serves as the hub and co-ordinates all aspects of the deal.

ITAB's customers include Europe's major retail chains, encompassing both international and domestic chains. Our customers include Albert Heijn, Asda, A.S. Watson Group, Axfood, Celesio, Coop, Lloyds, Edeka, Etos, ForeEver 21, Ica, Ikea, Hema, H&M, Homebase, John Lewis, KappAhl, Kesko, Metro Group, Maxima, Morrisons, Netto, NorgesGruppen, Pandora, Prisma, Real, Rewe, Rimi, Sainsbury, Selecta, Statoil, Swatch, Tesco, Tiger, Waitrose and Wilkinsons.

"ITAB has the strength and capacity to create long-term customer relationships and expand at a rate that matches the establishment of Europe's most attractive chain stores."

## MARKET TRENDS

In recent years, more and more convenience stores have been established in Europe. The customer agreements are becoming longer, and all-inclusive commitments are becoming increasingly common when establishing shop fitting concepts. In general, there is a demand for cost-saving products, more efficient solutions and more attractive shop fitting concepts, all with the aim of raising the shop experience.

"The cost savings and efficiency improvements provided by ITAB's self-checkout systems are resulting in both larger chain stores and smaller convenience stores displaying an interest in the systems."

### STREAMLINING OPTIONS IN STORES

Several major retail chains in Europe have requested options for streamlining in their stores. The cost savings and efficiency improvements provided by ITAB's self-checkout systems are resulting in both larger chain stores and smaller convenience stores displaying an interest in the systems.

### INCREASING DEMAND FOR ENERGY-SAVING PRODUCTS

Lighting is an important aspect of the interior design concept for creating increased sales and attractive store environments. The right lighting also means substantial energy savings and lower maintenance costs for retail chains, Energy-saving products are set to become even more important in future, and are a priority investment area for many retail chains. Nordic Light is one of the leading suppliers of shop lighting in Europe, focusing on modern, energy-saving light sources. Product development takes place in Sweden and volume production in the company's two modern production facilities in China.

ITAB's other products, such as checkouts and entrance systems, are being developed and designed to ensure low energy consumption.

### INCREASE IN CONVENIENCE STORES IN EUROPE

The establishment of convenience stores is increasing around Europe. The market is increasingly demanding stores in built-up areas. Thanks to its range, ITAB has in recent years been able to offer concepts for smaller convenience stores including fitting products, self-checkout solutions, flexible queue management and entrance systems. ITAB can now offer efficient and attractive all-inclusive concepts to supermarket chains with both large and small shops.

### DELIVERY RELIABILITY WHEN ESTABLISHING STORES

The rate of development for new shop concepts is increasing, and the set-up periods are becoming shorter and shorter. The geographic location of the production facilities has become an increasingly important aspect of the contract negotiations. Through a combination of local, flexible production alongside centralised volume production, strategically located in Europe, ITAB can contribute to increased delivery reliability and reduced transportation distances for customers.

### FULL-SERVICE COMMITMENT WITH NEW SHOP CONCEPT

It has become increasingly common for customer agreements to run for a number of years, and at the same time customers are on the look-out for comprehensive and conceptual commitments from a business partner. ITAB can offer an all-inclusive concept including custom-made shop fitting concepts, checkouts, self-checkout systems and professional lighting systems. Through our concept and product portfolio, working model and geographic presence, ITAB now has the capacity to offer all-inclusive solutions to major retail chains.

### SHOP EXPERIENCE INCREASINGLY IMPORTANT WHEN RE-PROFILING

Shops and chain stores on the market are constantly merging, and this is leading to an increased need for refurbishment and re-profiling. Fitting solutions and shop concepts have a shorter lifecycle and are changed more frequently in the fashion and ready-to-wear segment. The shop experience has become increasingly important, and the level of the shop fitting concept has consequently been raised, both during refurbishment and re-profiling.


**M.A.T**
ITAB has supplied the MoveFlow and TwinFlow self-checkout solutions to the store's checkout arena.

▸ As ITAB's operation is based on long-term customer relations, refurbishments and re-profiling of shop concepts are an important part of the business. ITAB's establishment in each market area also gives the customer a sense of security and facilitates extended partnerships in many different locations.

## MARKET 2014

Several of ITAB's markets have developed positively compared to last year. Sales have developed better than last year in Scandinavia and Central Europe. NorthEast has developed on a par with last year, while UK and Benelux sales areas have not developed as well as last year. Sales of lighting systems surpassed last year's figure.

Profit in Central Europe and Scandinavia has developed better than last year. In Benelux, profit excluding non-recurring costs has improved compared to last year. Profit in the UK has developed on a par with last year, while in NorthEast profit has been poorer than last year. Income from the lighting business has developed on a par with last year.

### MARKETING ACTIVITIES

During the year, market expansion activities and marketing activities have continued, primarily within lighting and self-checkouts. The majority of pilot installations of self-checkout products have been carried out in major chains around Europe. There is considerable interest in the products, as they provide the conditions for streamlining and cost savings in stores. At the start of 2015, ITAB participated with its self-checkout concept at NRF in New York, a major trade fair for technical solutions in the retail sector. There the opportunity existed to present products to the American market, the world's largest market for self-checkout solutions.

ITAB has launched a new concept for linear LED products in the lighting segment. Several of the retail chains are interested, and the proportion of LEDs is continuing to increase, as expected. The focus on product development in this area is continuing. Through acquisitions and the establishment of in-house lighting companies, there is a good basis for the continued development of lighting sales. ITAB can offer customers a combination of local lighting expertise with global sourcing of lighting products.

### EUROSHOP 2014

The Global Trade Fair Euroshop took place in Düsseldorf at the start of 2014. ITAB participated at the fair as one of the major players, and was able to present its all-inclusive offer to the market. ITAB has the strength and capacity to follow major customers into new markets and establish operations in line with them. The potential in the range, combined with the market presence, means that ITAB has strategically strengthened its market position in recent years.


▲ **EUROSHOP 2014.** ITAB participated at the fair and was able to present its all-inclusive offer to the market.

### SWEDEN, NORWAY AND DENMARK

ITAB is the market leader in the region within both the food and non-food segments. During the year, the bankrupt estates of New Store Europe Norway and Sweden have been acquired, as well as New Store Europe Denmark. These companies focus primarily on concept sales to the non-food segment on the Nordic market. The acquisitions have initially taken up resources, but in future will increase the capacity in ITAB's existing production units and strengthen the Group's market position.


▲ **HYPERMAT.** ITAB has supplied shop fittings for the food store's fruit and vegetable department.


▲ **HYPERMAT.** ITAB has supplied standard and customised shop fittings for the food store.

Agreements that extend over a number of years have been entered into with customers within both the food and non-food segments. An initial installation of the fully automatic EasyFlow self-checkout system in one of Lidl's stores in the Swedish market has been carried out during the year. Lidl is one of Europe's leading players in the low-price food sector. Installations of self-checkout systems have been carried out in the majority of the major food chain stores in Sweden and Norway, and they have continued to show an interest in the concept.

The integration of the lighting business has developed, and sales to existing customers have increased.

In Norway, Eurolys has been acquired. The company sells lighting products to the retail sector. The acquisition is further expanding ITAB's base for lighting sales.

### THE UK AND IRELAND

ITAB is the market leader in the food sector in this region, and one of the largest in the non-food sector. During the year, ITAB has retained its leading position in the UK, providing a stable platform for the future.

The British market is leading the way in the development of efficiency improvements in a store environment. Several retail chains in the UK are demanding rationalisation and improvements to the store environment, and ITAB has developed its range to satisfy this need in the British market. Installation and project management have therefore become an increasingly important part of the offer.

Profile Lighting, which sells lighting products to the retail sector in the British market, was acquired during the year. Through this acquisition, ITAB can offer British customers a combination of local lighting expertise with global sourcing of lighting products. The acquisition is in line with the Group's continued investments in concept and lighting sales, and will further strengthen ITAB's position in the British market. ►

▲ **MORRISONS.** ITAB UK has supplied the entire checkout area, including self-checkout solutions, for the supermarket chain.

▲ **PROFESSIONAL LIGHTING SYSTEMS.** During the year, ITAB has continued to integrated and establish lighting as part of the all-inclusive offer to the customer.

### BELGIUM AND THE NETHERLANDS

ITAB is one of the largest players in the Benelux region when it comes to shop fittings for the food and non-food sectors. During the fourth quarter, the bankrupt estate of New Store Europe Netherlands was acquired, which focuses primarily on concept sales to the non-food segment in the Dutch market.

The market situation remains difficult and sluggish in the region. Over the course of several years, ITAB has conducted extensive restructuring in order to identify new working methods and efficiency improvements. Metal production has been moved to ITAB's Belgian operation during the year. In the Netherlands, the operations are being merged in order to streamline them and meet market demands.

### POLAND, CZECH REPUBLIC, GERMANY AND HUNGARY

ITAB is the market leader in checkouts and products in the region, and is one of the major players in shop fittings. The company's leading position in checkouts means that major supermarket chains are also displaying an interest in ITAB's self-checkout concept.

During the year, ITAB entered into a framework agreement with EDEKA, one of Germany's largest supermarket chains, regarding deliveries of self-checkout solutions. Following a comprehensive evaluation of the majority of self-checkout solutions available, ITAB was chosen as one of two long-term business partners for all of EDEKA's regions. The agreement initially relates to installations of MoveFlow. ITAB's comprehensive, flexible self-checkout concept was an important factor for a future collaboration.

Lighting sales have been integrated into the business and have been developed during the year. There are considerable opportunities in this area, as both self-checkout systems and professional lighting systems are now included in the all-inclusive offer.

### THE BALTIC COUNTRIES, FINLAND, RUSSIA AND UKRAINE

ITAB has a strong position within the food sector in Finland, Latvia and Lithuania. In Estonia, Russia and the Ukraine, however, ITAB is still a small player. The market situation in the region is still considered uncertain, although it is slightly better in Latvia and Lithuania. Customers are cautious in their investment programmes, and planning with regard to new projects is only short-term in nature. In Russia and Ukraine, ITAB has reviewed its operations and made adjustments to meet the current uncertain market situation. In the Russian market, ITAB has reduced its operation and is now a supplier of products rather than entire concepts.

After the close of the period, JPD in Latvia has been acquired, which focuses primarily on concept sales to the non-food segment in the European market. The company conducts sales, warehousing and timber production. ITAB's existing operation in Latvia will be integrated with JPD. The acquisition is in line with the Group's continued focus on concept and lighting sales, and is further strengthening ITAB's customer offer.

## COMPETITORS

ITAB has competitors in most markets and in several product areas. Our competitors include Eden, Expedit, Fagerhult, Hermes Metal, HMY/Radford, IBM, Linde, Lival, Mago, NCR, ROL, Store Best, Tego Metal, Umdasch, van Keulen, Wanzl and Wincor Nixdorf.

▲ **BIKBOK**
ITAB has supplied the chain's custom-made shop concept.

# CUSTOM-MADE SHOP CONCEPTS

ITAB sells, develops, manufactures and installs custom-made shop concepts for chain stores in the food and non-food segments across large parts of Europe. ITAB has extensive experience of working as an all-inclusive contractor in charge of building new or refurbishing individual shops or entire chains of stores. The Group is currently the second-largest supplier of shop concepts in Europe.

To meet the market's needs, ITAB has for many years strategically developed and expanded its concept and product portfolio. ITAB is now an all-inclusive shop concepts supplier.

## CUSTOM-MADE SHOP CONCEPTS

Shop concepts are a vital element in chain stores' profile and brand strategies, and include all types of fittings and equipment designed to display and store goods. The shop concept can consist of both customised fittings and basic fittings. The basic range comprises standard fittings. In addition, ITAB offers custom-made fitting details that reflect the customer's profile. ITAB also provides completely custom-made fittings.

The food segment uses both standard fittings and custom-made fittings for various product categories. Standard fittings have exact measurements and are assembled and mounted according to a given system. The solutions that are used vary from market to market, and between different retail chains. ITAB has therefore developed a range comprising many different solutions, and now has the systems the market is requesting.

Fittings for the non-food segment are often custom-made according to the individual chain's preferences. The shape, colour and choice of material for shelves and product stands emphasise the store's profile in harmony with colour schemes and lighting. Products are made mainly of metal, wood, plastic and glass.

The concept is then supplemented with checkouts, entrance systems, self-checkout systems and professional lighting systems made by the Group's own product companies.

### FITTINGS FOR PHARMACIES

ITAB has long experience of supplying fittings for pharmacies. Demand for customised pharmacy concepts has increased greatly in recent years in conjunction with deregulation in Norway and Sweden.

ITAB currently delivers modern fittings to both large pharmacy chains and small independent pharmacies all over Europe – always uniquely adapted to the pharmacy's profile and individual specifications.

"To meet the market's needs, ITAB has strategically developed and expanded its concept and product portfolio for many years. ITAB is now an all-inclusive shop concepts supplier."

# EUROPE'S LARGEST SUPPLIER OF CHECKOUTS

ITAB sells, manufactures and supplies checkouts to large retail chain stores, primarily in the food sector. The Group is Europe's biggest checkout supplier today.

As Europe's leading supplier, ITAB has the experience and expertise to help retail chains choose the right equipment for the checkout arena based on the shop's size, flow of goods and number of visitors. The design of checkouts varies between different countries and is also influenced by the shop's size. Shops in urban areas require efficient solutions for rapid flows and maximum utilisation of the shop space, while supermarkets on the outskirts of town can prioritise larger, effective facilities.

ITAB's checkouts are optimised based on the shop's flow of customers and goods. For shops that stock a large number of products and where speed is a decisive factor, ITAB manufactures highly effective, ergonomic checkout systems equipped with conveyor belt scales and third-customer features. Conveyor belt scales simplify the work and mean that weighing and the movement of goods is performed without unnecessary lifting for the checkout personnel.

The third-customer feature means that a third customer can start his or her purchase while the two previous customers are still packing. This provides more efficient checking out and improved ergonomics for checkout personnel. More customers can also pass through the checkout in a shorter space of time, which increases the level of service. The checkouts are ergonomically designed and a good size, which makes it possible to either stand or sit when working at the checkout.

ITAB primarily supplies compact checkout systems for smaller shops, which are more space-efficient and adaptable to existing shop fittings.

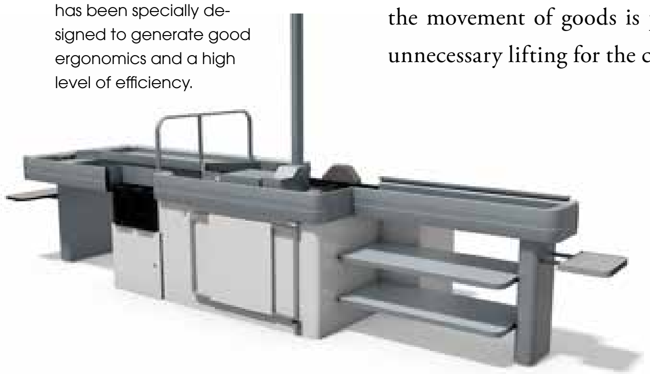
ITAB's checkouts are adapted for different cash register and payment systems.

## ENTRANCE AND QUEUE MANAGEMENT SYSTEMS

As part of the shop concept, ITAB develops, manufactures and markets flexible entrance and exit systems intended to optimise the flow of customers and improve safety. The Group is Europe's second largest supplier of entrance and queue management systems in the market today. There is a wide selection of options in terms of function, safety and design.

▲ **ALPHAGATE MKII**
ITAB's fully automatic Alphagate MKII functions both as an entrance gate and as an exit gate to improve self-checkout security.

▼ **CHECK MATE 500**
The Check Mate checkout has been specially designed to generate good ergonomics and a high level of efficiency.

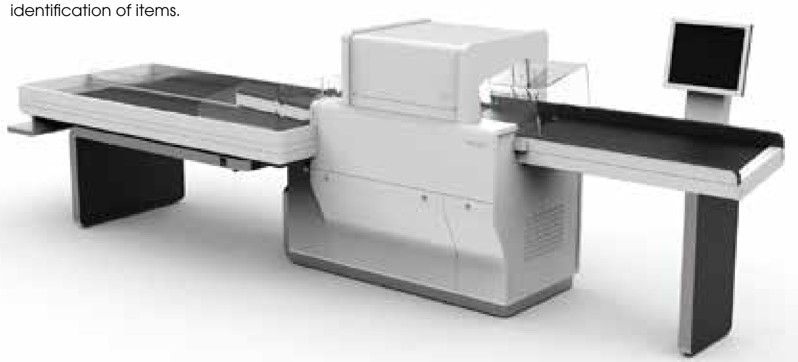



**HYPERMAT**
ITAB in Jönköping has supplied an all-inclusive concept including checkouts, entrance system, shop fittings and lighting to the newly opened food store in Charlottenberg.

# INNOVATIVE PRODUCTS FOR EFFECTIVE FLOWS

▲ **MOVEFLOW**
The MoveFlow self-checkout system has been specially designed for shops with a smaller flow of goods or where many payment points are required.

▼ **EASYFLOW**
The EasyFlow self-checkout system is fully automatic and based on barcode-free identification of items.



ITAB has developed and manufactured self-checkout solutions as an alternative to staffed checkouts for years. The result is a complete concept of self-checkout products adapted for retail checkout arena.

Interest in new methods for reliable checkout and payment in shops has increased in recent years. As an alternative to staffed checkouts, ITAB has developed efficient self-checkout solutions, which mean that consumers can quickly, conveniently and reliably scan their items themselves at the checkout.

Market expansion activities and marketing activities have continued, primarily within self-checkouts. The majority of pilot installations of self-checkout products have been carried out in major chains around Europe. There is considerable interest in the products, as they provide the conditions for streamlining and cost savings, as well as raising the level of service in stores.

## SELF-CHECKOUT CONCEPT

The self-checkout solutions are available in several alternatives. One for a high flow of items that is adapted for larger retail chains, and one for convenience stores that often use shopping baskets for a few items.

ITAB's software is compatible with most known POS systems today. The self-checkout concept also includes products for cash payment, customer support, surveillance and exiting. The system produces costs savings and frees up resources.

### EASYFLOW

As part of the concept, ITAB's fully automatic EasyFlow self-checkout system has been launched. The technology and method are groundbreaking since the checkout does not only use an item's barcode to identify it – even items sold by weight such as fruit and vegetables. The technology is unique on the market, and is based on a combination of different identification methods.

During the year, ITAB has installed EasyFlow at Lidl in Sweden. This delivery is extremely important for ITAB, as it is the first store run by a leading supermarket chain in Europe that provides EasyFlow to consumers. The installation has been carried out in a representative Lidl store.

▲ **CHECKOUT ARENA**
The combination of several different checkout solutions provides the store with a flexible solution for effective flows.

The delivery also includes the latest technology for the checkout arena's exit system and staff management system.

ITAB is extremely confident that this product has the potential to make a breakthrough in the retail trade's rapidly growing self-checkout sector.

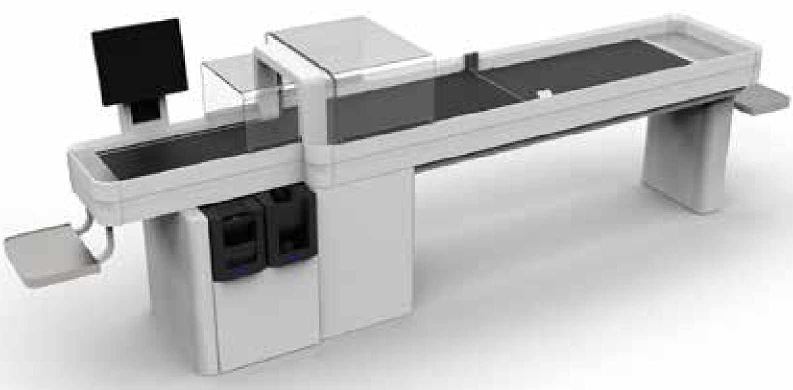
## STREAMLINING OPTIONS

The improvements in efficiency brought about by self-checkout systems means that it is possible to make significant cost savings and increase the level of service for both large chain stores and smaller convenience stores. The self-checkout systems also save space in shops, leaving room for more items and exit checkouts. Accessibility is increased as the self-checkouts can be open at all times, helping to optimise the customer flow in the shop.

ITAB believes this will be a high priority area of investment for the retail segment over the next few years. An attractive investment sheet combined with the improved shop security and access that a self-checkout system provides means there is a good chance that this will become a new industry standard.

The combination of traditional staffed checkouts and self-checkout solutions provide the shop with a flexible solution for the checkout aisle that is suitable for several different customer groups. ITAB's self-checkout systems and market position in the checkout sector constitute an exceptionally competitive combination.

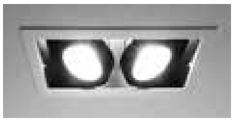
▼ **TWINFLOW**
The TwinFlow self-checkout system has been designed for shops that have a high flow of goods.



▶ **DO YOU WANT TO SEE THE FUTURE?**
1. Go to the App Store/Android Market on your Smartphone.
2. Download a QR-Code reader.
3. Read the code.

# PROFESSIONAL LIGHTING SYSTEMS

Through the acquisition of Nordic Light, ITAB develops, manufactures and sells complete professional lighting systems, light planning and light service for the food and non-food sectors. Nordic Light conducts its own in-house product development in order to adapt its lighting systems to customer needs in the various markets, and is now one of the largest suppliers in Europe.



▲ **PROFESSIONAL LIGHTING SYSTEMS.**Nordic Light sells, develops and manufactures modern energy-saving light sources such as HID, T5 and LED.

## LIGHTING SYSTEMS

Nordic Light is one of the leading suppliers of professional lighting systems in Europe. The company focuses on modern, energy-saving light sources such as ceramic high-intensity discharge lamps (HID) and LEDs (light-emitting diodes) or solid state lighting (SSL).

Nordic Light is one of only a few international manufacturers that develop and produce their own driving mechanisms and LEDs alongside optical solutions for the aforementioned light sources. Product development takes place in Sweden, where small batches are also produced. Volume production takes place in the company's own two modern production facilities in China, where in addition to installing light fittings, the production of electronics for driving mechanisms and LED-PCBs also takes place.

The lighting systems are third-party certified internationally, which makes it easier for chain stores that are expanding into other countries. The development of LEDs means that new types of tests are performed to ensure that the light has no negative effects.

Nordic Light sells and distributes lighting products to around 60 countries and, in addition to the companies in the ITAB Group, also works with some 20 national distributors to provide customers with local support in respect of imports and service.

## PRODUCT DEVELOPMENT

The development of components for LED products is proceeding rapidly. New and improved LED chips are continually being released on the market, above all with improvements in relation to CRI (colour rendering index) and efficiency.

In addition to the existing product range of single chip products, there is also a range of COB products (chip on board). A wider range of linear LED products for the replacement of fluorescent lamp products will be supplied in large volumes during the year.

## ENERGY-SAVING LIGHT SOURCES

Lighting has become an increasingly important part of today's stores. From a design perspective, the right lighting can lift a shop concept to an entirely new level. From a cost-effectiveness perspective, the right lighting means major energy savings and lower maintenance costs. Energy consumption represents a large proportion of the shop's costs. The lighting systems' energy requirements and efficiency have a direct impact on this. The amount of heat generated by the systems also affects the cost for ventilation in the shop. These are two areas where Nordic Light's products and systems are outstanding.

Shops often use more than one type of lighting to create the right atmosphere. Through its range of lighting solutions, ITAB can be an all-inclusive supplier for retail shops and chains.

**NORDIC LIGHT**
Through its range of lighting solutions, Nordic Light can be an all-inclusive supplier for retail shops and chains.

# RESPONSIBLE WORK FOR INCREASED EFFICIENCY

"The Group will be sensitive to the wishes of stakeholders and comply with the market's environmental requirements."

For many years, ITAB's work has been conducted in a responsible way in order to achieve a sustainable business. During 2014, ITAB decided that it would start work in 2015 on reporting its sustainability work in accordance with GRI's framework. The first report submitted will refer to the whole of the 2015 financial year.

### STAKEHOLDERS

ITAB has long conducted long-term quality and environmental activities. The Group's companies continuously strive to reduce their environmental impact by making environmentally conscious choices in terms of raw materials, production processes and transportation alternatives. The Group will be sensitive to the wishes of stakeholders and comply with the market's environmental requirements.

ITAB's stakeholders are the groups that are affected by the company's operations to the greatest extent. The groups include customers, owners, employees, suppliers and society. The areas that are perceived as being of greatest interest to these groups tend to guide ITAB's sustainability work. The general areas on which the work will principally focus are set out below.

## SUSTAINABLE WORK

### EFFICIENCY IN THE PRODUCTION AND LOGISTICS PROCESS

ITAB's organisational structure comprises central volume production of shop fittings and equipment, located centrally in Europe. Each market is then supplemented with local, flexible production facilities, specialising on their market. Over the course of several years, ITAB has invested in more energy-saving units within the Group. For example, systems have been introduced that reduce electricity and gas consumption. Residual heat from production facilities is used to heat up other premises, including surplus heat from our powder coating facilities. ITAB's geographic location is helping to reduce transport distances. The strategic location of the Group's production facilities has grown increasingly important during major contract negotiations.

Volume production of lighting systems takes place in ITAB's own production facilities in China. When transports are arranged from China, ITAB works to maximise shipments in order to optimise deliveries from an environmental and cost perspective.

## ENERGY- AND COST-SAVING PRODUCTS

The Group carries out projects in the product development phase aimed for example at optimising the use of raw materials with consideration to their environmental impact. The environmental aspect is a critical factor as early as the design phase when materials, construction and energy consumption solutions are determined. This development work takes place in the company's own product companies and in close co-operation with the customer. Lighting systems are being developed in Skellefteå and self-checkout systems in Jönköping. The focus during product development is on well-thought-out solutions, good features, user friendliness, ergonomics and efficiency.

*Energy-saving lighting systems*

Lighting has become an increasingly important part of today's stores. From a design perspective, the right lighting can lift a shop concept to an entirely new level. From a cost-effectiveness perspective, the right lighting means major energy savings and lower maintenance costs.

Energy consumption represents a large proportion of the shop's costs, and the lighting systems' energy requirements and efficiency have a direct impact on this. The amount of heat generated by the systems also affects the cost for ventilation in the shop. These are two areas where Nordic Light's products and systems are outstanding.

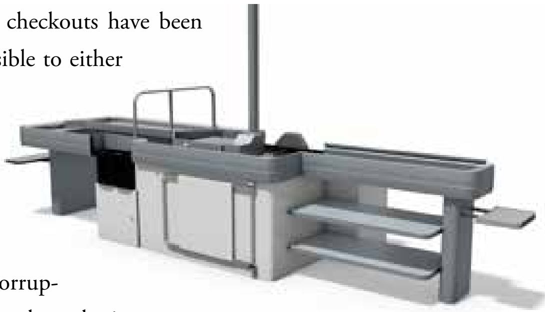
*Cost-saving self-checkout system*

The improvements in efficiency brought about by self-checkout systems make it possible to make significant cost savings for both larger chain stores and smaller convenience stores.

The self-checkout systems also save space in shops, leaving room for more items and checkouts. Accessibility is increased as the self-checkouts can be open at all times, helping to optimise the customer flow in the shop.

*Ergonomic checkouts*

As Europe's leading supplier of checkouts, ergonomically designed checkouts have been an important part of product development. Features such as conveyor belt scales and a third-customer function make the work easier for checkout personnel. Several of the checkouts have been designed to makes it possible to either stand or sit when working at them.



## ANTI-CORRUPTION

ITAB has a zero tolerance approach to all forms of corruption. The Group has a central purchasing and logistics function, which means that it is possible to be part of the purchasing process at a central level.

## WORKING CONDITIONS

ITAB works to achieve good working conditions in the Group, at customers and at suppliers. The purchasing policy regulates the areas that affect both the Group and the suppliers' working conditions.

# STRATEGICALLY LOCATED PRODUCTION FACILITIES

"The strategic location of the Group's production facilities has grown increasingly important during major contract negotiations."

Through its organisational structure comprising several large production facilities, centrally located in Europe, ITAB has helped to reduce transportation distances for many of the Group´s customers. The strategic location of the Group's production facilities has grown increasingly important during major contract negotiations. A combination of local and flexible production coupled with centralised volume production enables the Group to meet specific requirements and preferences from different customers in different markets.

The Group has 17 production facilities in European and in China, with a total area of approximately 300,000 m$^2$. The largest production facilities are in Belgium, China, Sweden and the Czech Republic. The units primarily manufacture a basic range of fittings and equipment for ITAB's other companies. Volume production of lighting systems takes place in China, and customised lighting products are manufactured in Skellefteå.

The co-ordination of the Group's volume production generates cost-effective production with high availability, while local, flexible production facilities are adapted to the different market areas' specific needs. When transports are arranged from China, ITAB works to maximise shipments in order to optimise deliveries from an environmental and cost perspective.

## EFFECTIVE LOGISTICS SOLUTIONS FOR PRECISE DELIVERY RELIABILITY

Shop concepts are largely customised, which means that the majority of the items are not held in stock as production is made-to-order. The co-ordination of the products at the time of delivery is therefore decisive, as they have to be delivered at exactly the right time. Production, purchasing and logistics have to function well and be synchronised in order to deliver an entire concept at the right time.

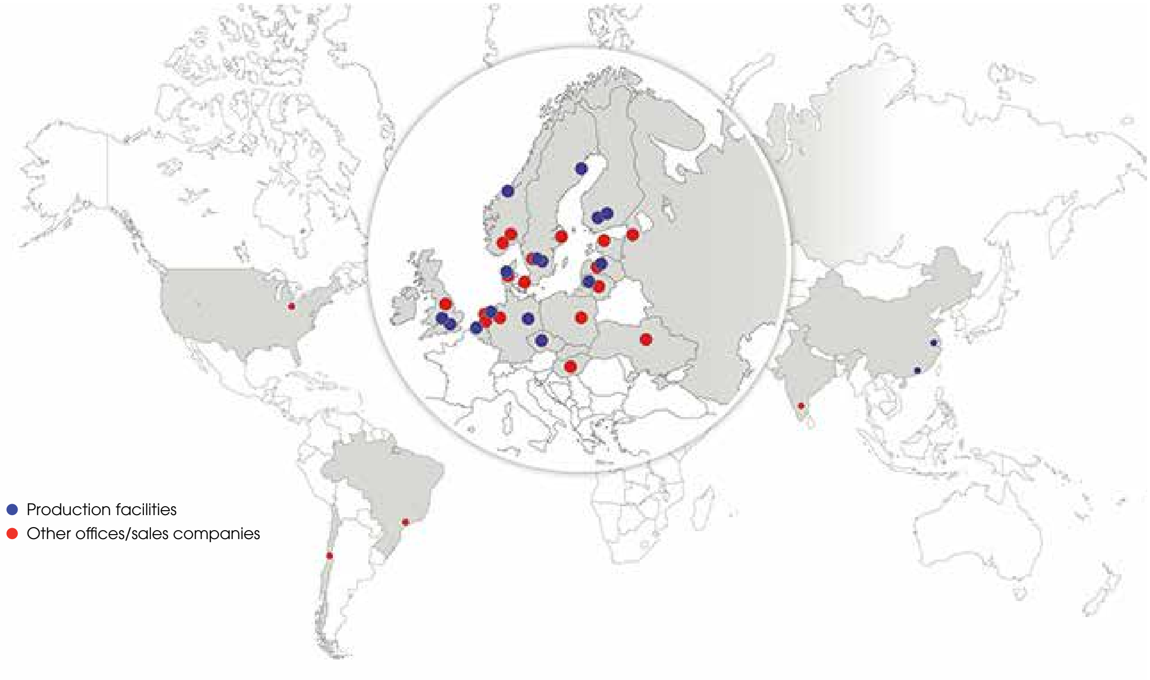
Effective logistics solutions with a high level of delivery reliability are critical for the implementation of a project. By having its own production units, ITAB can control production and thereby ensure that the agreed delivery times are met.

## RECYCLING SYSTEMS

Materials such as metal, plastic, cardboard, glass and paper are recycled in line with existing recycling systems. Leftover electronics are also recycled or resold to the supplier. To a large extent, the Group uses advanced water-based surface treatment for wood products, in which all wastewater is purified and powder from the coating process is reused.

## FACTORS THAT AFFECT THE ENVIRONMENT

Factors in ITAB's business activities that have an environmental impact include emissions to air and water, wastewater, noise, packaging, waste




**PRODUCTION FACILITIES**
ITAB has 17 production facilities, the majority of which are centrally located in Europe.

and transport. However, the Group's business activities, manufacturing processes and products are such that the environmental risks are deemed to be limited. The organisation's ambition is to work constantly to minimise its impact on the environment.

## NOTIFIABLE ACTIVITIES

In accordance with the Swedish Environmental Code, business activities that are deemed to have a particular impact on the environmental are subject to disclosure requirements.

The ITAB Group conducts activities that require disclosure at its Swedish subsidiaries ITAB Shop Concept Jönköping AB, ITAB Shop Concept Nässjö AB and Skelack AB. The disclosure obligation is primarily intended to inform the Environment and Health Administration of details concerning planned or existing activities that have an impact on the environment, the effects of these activities on the surroundings, and whether protective measures have been implemented to the extent stipulated in the Swedish Environmental Code.

## CERTIFICATIONS

ITAB conducts long-term quality and environmental activities throughout the entire Group. Four of the Group's companies, ITAB Shop Concept Jönköping AB, ITAB UK Ltd in the UK, AB ITAB Novena in Lithuania and ITAB Shop Concept CZ A.S. in the Czech Republic, have environmental certification in line with the ISO 14001:2004 environmental management system. This certification guarantees that the companies commit to develop and manufacture products and services under controlled resource usage and with minimum impact on the environment.

The certification process also includes environmental training for all employees. This means that employees have documented training in such environmental aspects as waste management, transport and the impact on the environment that stems from metals and power consumption.

ITAB Sintek AB in Sweden, ITAB Shop Concept CZ A.S. in the Czech Republic, AB ITAB Novena in Lithuania and Nordic Light Suzhou in China have quality certification in accordance with ISO 9001:2000. ITAB Sintek AB and ITAB Shop Concept CZ A.S. in the Czech Republic are also quality certified in line with ISO 9001:2008.

The environmental work of ITAB UK Ltd in the UK is certified in accordance with ISO 18001:2007. ITAB UK Ltd in the UK, ITAB Shop Concept CZ A.S. in the Czech Republic and Nordic Light Suzhou in China are members of Sedex. All lighting companies are members of Elkretsen. The lighting systems are third-party certified internationally, which makes it easier for chain stores that are expanding into other countries.

# WORKING MODEL AND KNOWLEDGE PROGRAMME FOR CLOSE COLLABORATION

"The working model, with the central project management function, is helping to create security and confidence in every customer."

In recent years, ITAB has expanded dramatically and the number of employees has increased in line with the expansion. ITAB's internal knowledge programme is becoming increasingly important for increasing awareness about the Group's organisational structure and work process.

In order to develop and nurture long-term business relations, ITAB has long worked according to a model that is aimed at working closely with its customers and their markets. The project management function, which is a central element in the model, makes it possible to offer all-inclusive solutions with responsibility for the entire process – from concept to ready-made shop. ITAB is developing new concepts, products and solutions by utilising its extensive market expertise and innovativeness while also working closely with its customers. The working model, with the central project management function, is helping to create security and confidence in every customer.

## PROJECT MANAGEMENT

### CREATES SECURITY AND CONFIDENCE

ITAB's working model is based on a project management function, making it possible to offer all-inclusive solutions with responsibility for the entire process. For those customers that have operations in several countries, one project manager is responsible for all installations and may therefore utilise all companies in the Group in order to achieve geographic proximity to the customer and local knowledge about the market.

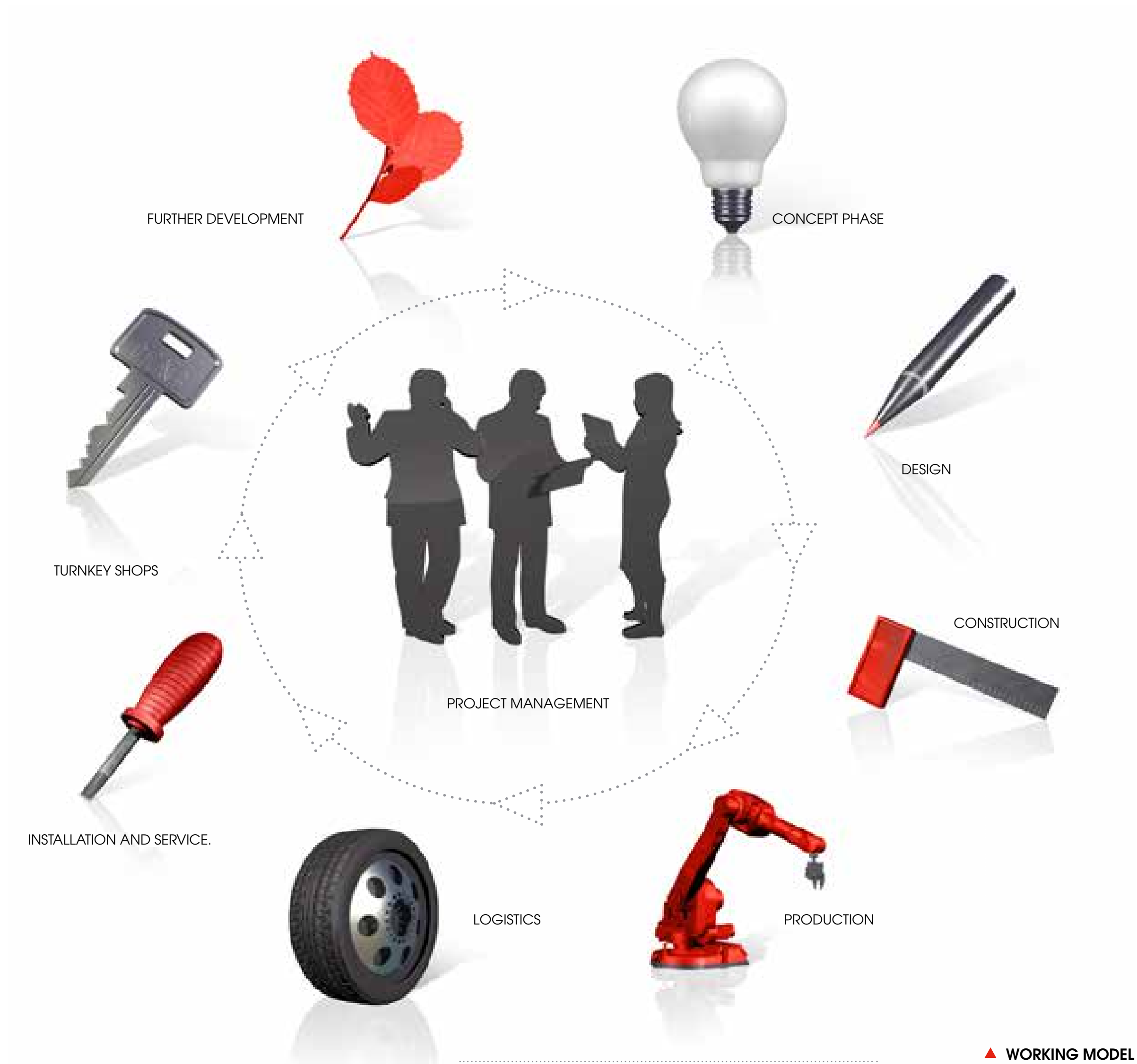
## CONCEPT, DESIGN AND CONSTRUCTION

### UNIQUE CONCEPT & PRODUCT PORTFOLIO

Through extensive market expertise, ITAB is developing custom-made shop concepts and innovative products in order to improve and streamline the shop environment for major chain customers. ITAB has been strategically developing and expanding its concept and product portfolio for a number of years, and is now an all-inclusive supplier of complete shop concepts.

This development work is taking place in the company's own product companies and in close co-operation with the customer. Lighting systems are being developed in Skellefteå and self-checkout systems in Jönköping.

The Group has local in-house design teams as well as a design company in Oslo, Norway. ITAB also works with external architects and




**WORKING MODEL**
ITAB´s working model makes it possible to offer all-inclusive solutions with responsibility for the entire process.

its customers' own design agencies. The focus is on well thought out solutions, good features, user friendliness, ergonomics and efficiency. ITAB is constantly striving to realise its customers' ideas and works on the basis of its branding and sales strategy.

## INSTALLATION AND SERVICE

### EFFICIENT INSTALLATION PROCESS

Installation and service are carried out by ITAB's own technicians and certified installation teams. Installations can be performed in the shop while business is in progress. ITAB's service teams can provide service and maintenance of fittings and equipment through regular visits. ITAB's installation teams always works efficiently to meet the agreed times.

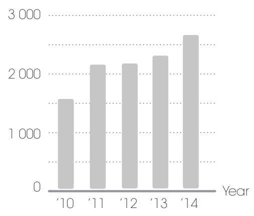
## COMPLETE SHOP ENVIRONMENT AND FURTHER DEVELOPMENT

### IMPROVING THE SHOP EXPERIENCE...

Through its working model, ITAB manages the projects all the way from concept to finished shop. Once the last screw is in place, the customer has a finished product, a new concept or an all-inclusive shop ready for business. For customers with short set-up periods, ITAB manufactures and stocks a number of all-inclusive shops for immediate delivery. New ideas and needs often crop up while working on a shop concept, product or solution. The co-ordinated project management function means that these ideas and needs are smoothly and automatically implemented in future projects.

ITAB's ambition is to work with the customer at all times to improve the store experience for the consumer, by creating effective and attractive shop concepts.

AVERAGE NO. OF EMPLOYEES




## OPERATIONS IN 21 COUNTRIES

ITAB has expanded dramatically in recent years through organic growth and strategically planned corporate acquisitions. This expansion has resulted in the average number of employees having increased from 549 when the company was first listed on the stock exchange in 2004, to 2,441 employees in 2014. ITAB is active in a total of 21 countries and has 17 production facilities. The Group has operations in Belgium, Brazil, Chile, China, the Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, India, Latvia, Lithuania, the Netherlands, Norway, Poland, Russia, Sweden, Ukraine, the UK and the USA.

### DECENTRALISED WORKING METHOD

ITAB is striving to ensure that all employees feel they are part of the Group and receive clear information about the business, working model and market position. As the Group has grown, the work to strengthen the identity and the brand within the organisation has intensified.

ITAB has an Executive Committee, which includes the Group management, the sales area directors and the product managers for lighting systems and self-checkout systems. These individuals have an insight into the whole Group's business activities, which contributes to a decentralised working method and helps to strengthen strategic development.

The organisational structure, along with the working model, provide the potential for synergy effects between the companies and across national borders.

## RECRUITMENT AND CAREERS

The will to participate and a strong drive are among the most important parameters when ITAB recruits employees. ITAB strives to uphold good contact with colleges and universities in order to find tomorrow's employees.

### TRAINEE PROGRAMME

For several years, ITAB has run regular trainee programmes that provide young graduates the opportunity to work for one year in different areas of the Group.

An additional programme was launched in 2014, which will be concluded in 2015 and which will be attended by five people. Following this trainee period, the participants are usually offered employment at one of the Group's companies. Further training is available as well as several career opportunities within the Group.

### ITAB ACADEMY

To further knowledge among employees and co-operation between the companies and countries, ITAB has an internal training programme called ITAB Academy. Key individuals from most of the companies in the Group are given the opportunity to increase their knowledge about ITAB and about leadership and business development.

The programme is tailored on each occasion by professional organisational developers alongside the ITAB's Group management. ITAB Academy lasts for a year, and the candidates meet in different locations in the Group on several different occasions. The programme results in increased understanding and knowledge about the operations of the various companies in the Group, which has proven to promote collaboration between them. ITAB Academy creates a network between employees from different companies in different countries. The programme aims to increase understanding of ITAB and its market, and the participants also gain increased knowledge about the working model, the geographic location and the long-term customer relations.

## ITAB TRAINEE 2014–2015

▸ **OLIVIA OPPONG (first from left)**
Olivia Oppong from Italy takes part in the trainee programme during 2014-2015. During the programme, she has received training regarding the various areas of the organisation, and she has worked at several different locations in the Group. As a trainee, she has gained experience of working at a company during an acquisition process, and she has performed major customer surveys. Olivia has also been involved in the implementation of a CRM system at one of the British operations.

▸ **JENS FREDRIKSSON (third from left)**
Jens Fredriksson from Sweden is taking part in the 2014-2015 trainee programme, and wrote his dissertation in collaboration with ITAB in spring 2014. During the trainee programme, he has received training within the organisation and has established a valuable network of colleagues around Europe. As a trainee, he has gained international experience of working at a company during a buyout phase, as well as helping to co-ordinate export projects to one of ITAB's largest customers.

▲ **PARTICIPANTS IN THE TRAINEE PROGRAMME 2014–2015**
From the left: Olivia Oppong, Italy, Tingting Yang, China, Jens Fredriksson and David Svenningsson-Kohl, Sweden, and Luke Ryan, UK.

# FINANCIAL INFORMATION

This document is a translation of the official annual 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.

# DEFINITIONS

**Operating margin:** Operating profit in relation to income.

**Profit margin:** Profit after financial items in relation to income.

**Return on equity:** The profit for the year attributable to the Parent Company's shareholders in relation to average equity attributable to the Parent Company's shareholders.

**Return on total capital:** Income after financial items plus financial expenses in relation to average total capital.

**Return on capital employed:** Income after financial items plus financial expenses in relation to average balance sheet total minus non interest-bearing liabilities and interest-bearing assets.

**Interest coverage ratio:** Income after financial items plus financial expenses in relation to financial expenses.

**Equity/assets ratio:** Equity in relation to total capital.

**Portion of risk-bearing capital:** Equity plus provisions for taxes as well as convertible debenture loans in relation to total capital.

**Earnings per share:** Income for the year attributable to the Parent Company's shareholders in relation to average number of shares.

**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.

**Direct yield:** Proposed dividend in relation to the share price on the closing day.

**Discount rate (WACC):** Weighted Average Cost of Capital – weighted required return for equity and borrowed capital against the company's future earnings.

**Average no. of employees:** Number of working hours divided by normal annual working time.

# DIRECTORS' REPORT

The Board of Directors and the CEO of ITAB Shop Concept AB (publ), 556292-1089, with its registered office in Jönköping, Sweden, hereby submit the annual report and consolidated accounts for the 2014 financial year.

**BUSINESS ACTIVITIES**

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 aisles and professional lighting systems. Customers include the major players throughout most parts of Europe. ITAB also has a network of partners across large parts of Europe. ITAB has subsidiary companies in Belgium, Chile, China, the Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, India, Latvia, Lithuania, the Netherlands, Norway, Poland, Russia, Sweden, Ukraine, the UK and the USA.

Working in close collaboration with the customer, ITAB contributes its experience and expertise to the customer's specific needs and requests. 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.

**NET SALES AND PROFIT**

The year's net sales amounted to SEK 3,937.6 million (3,574.0), an increase of SEK 363.6 million compared with last year. ITAB's operating profit amounted to SEK 325.4 million (245.8). Profit after financial items amounted to SEK 288.1 million (217.1), while net profit after tax stood at SEK 217.8 million (162.2).

**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, before gradually increasing during the year. As a result, sales and earnings are generally higher during the third and fourth quarters. Diagrams showing the quarterly sales and earnings can be seen on page 7.

**CASH FLOW, FINANCING AND LIQUIDITY**

Cash flow from operating activities amounted to SEK 277.3 million (136.7) during the year. The change compared to last year is primarily due to streamlined capital management and an improved operating profit of SEK 79.6 million. The company's net debt shrank to SEK 880 million (890). The positive cash flow has made it possible to make an additional repayment. The Group's cash and cash equivalents, including undrawn committed credit facilities, amounted to SEK 442 million (428) on closing day.

**SHARE DATA**

Earnings per share before dilution amounted to SEK 6.03 (4.49), and SEK 5.92 (4.44) after dilution. Equity per share amounted to SEK 36.14 (29.39). The share of risk-bearing capital at the end of the period was 46.2% (42.5). See also pages 10-13.

**INVESTMENTS**

The Group's net investments amounted to SEK 172 million (91), of which SEK 92 million (3) can be attributed to corporate transactions conducted during the period.

**ACQUISITIONS**

During the fourth quarter of the year, the bankrupt estates of New Store Europe Norway, Sweden and the Netherlands were acquired, as well as the company New Store Europe Denmark. These operations focus primarily on concept sales to the non-food segment on the Nordic and Dutch markets. The acquisitions are in line with the Group's continued focus on complete store concepts and are further strengthening ITAB's market position.

The acquisitions have initially taken up resources, but in future will increase the capacity in ITAB's existing production units. The operations have been successfully incorporated into the Group, despite the high workload in the units during the period.

The operations in Norway and Sweden have been integrated into existing companies, and the operation in Denmark is being run as a separate company. In the Netherlands, the operations are being merged in order to streamline them. During 2015, the NSE companies are expected to supply approx. SEK 500 million in sales and to be profitable.

ITAB has acquired Eurolys in Norway and Profile Lighting in the UK. Both companies sell lighting products to the retail sector. The acquisitions are further expanding the base for lighting sales. At the end of the year, 51% of Reklamepartner in Norway was acquired. This company produces and sells in-store communication to the Norwegian retail sector.

All the acquisitions during the year have had a positive impact on the income statement of net SEK 15 million during the period. Refer also to Note 5.

**EMPLOYEES**

The average number of employees in 2014 amounted to 2,441 (2,277). For more information, see Note 8.

**PARENT COMPANY**

The Parent Company's net sales amounted to SEK 41.4 million (34.6) and profit after financial items amounted to SEK 2.1 million (19.3). Net investments amounted to SEK 8.9 million (0.5), of which 8.7 relates the the acquisition of shares in subsidiary companies.

**IMPORTANT EVENTS**

- ITAB has supplied the EasyFlow self-checkout system to Lidl
- Through subsidiaries, ITAB has reached agreement with Dressmann regarding the supply of complete shop concepts.
- ITAB's staff convertible was heavily oversubscribed.
- Through subsidiaries, ITAB has acquired the bankrupt estates of New Store Europe Norway, Sweden and the Netherlands, as well as New Store Europe Denmark.
- ITAB has entered into a framework agreement with EDEKA in Germany regarding self-checkout solutions.
- Through subsidiaries, ITAB has acquired Eurolys in Norway, Profile Lighting in the UK and 51 per cent of Reklamepartner in Norway.

**IMPORTANT EVENTS AFTER THE END OF THE PERIOD**

After the end of the period, ITAB has acquired JPD in Latvia. This company conducts concept sales to the non-food segment on the European market, and its profitability is in line with that of the Group as a whole.

**COMMENTS ON THE GROUP'S DEVELOPMENT**

The Group's currency-adjusted sales figures have risen by almost 6% during the year compared to last year. Sales have developed better than last year in Scandinavia and Central Europe. North-East has developed on a par with last year, while UK and Benelux sales areas have not developed as well as last year. Sales of lighting system sales surpassed last year's figure.

The Group's operating profit amounted to SEK 325.4 million (245.8), an increase of 32% compared to last year. The increase in profits is primarily due to an improved gross margin as well as increased sales volumes. Profit in Central Europe and Scandinavia has developed better than last year. In Benelux, profit excluding non-recurring costs has improved compared to last year. Profit in the UK has developed on a par with last year, while in NorthEast profit has been poorer than last year. Income from the lighting business has developed on a par with last year.

**FUTURE PROSPECTS**

As in previous years, volumes are expected to be lower at the start of the year before gradually increasing. Several of the markets have developed positively compared to last year, and ITAB is expecting continued good growth. In Russia and Ukraine, we have reviewed our operations during the year and made adjustments to meet the current uncertain market situation. In the Netherlands, we have merged our units and streamlined operations to meet market requirements.

The acquired companies will initially take up resources, but they will strengthen the Group's market position on most of our markets in future. The long-term work aimed at streamlining all parts of our operation, in order to improve our offer, will continue. The prevailing currency uncertainty is expected to have a marginal impact on economic outcomes for the immediate future.

In the long term, ITAB believes that its customers will be on the look-out for more effective solutions, both for stores but also for the process of establishing stores. Thanks to our experiences from the year, ITAB has considerable confidence in the self-checkout concept for the years to come Our assessment is that the Group is well prepared, both in terms of expertise and capacity, to meet the high rate of development being witnessed as regards LED products.

**RISKS AND UNCERTAINTY FACTORS**

The Group's significant risk and uncertainty factors include business risks and financial risks. A more detailed account of the Group's significant financial risks can be found in Note 4.

ITAB's business risks are associated with our own operations, customers and suppliers, as well as other external factors. In order to minimise the effects of the business risks, ITAB has taken out insurance with well established insurance companies regarding e.g. fire, transport, theft, liability, disruptions, etc. Below is a summary of some of the most significant business risks.

*Economic situation*

ITAB is affected by conditions in the market and the general economic situation in Europe and the rest of the world. Above all, ITAB is affected by the economic situation within the retail trade in Europe. ITAB works to create long-term customer relations with large, well-established chains within both the food and non-food segments in Europe. These chains often have the capacity to expand regardless of the economic situation. Some of ITAB's offers also include refurbishment and re-profiling, which are performed regardless of the economic situation.

*Production facilities*

ITAB's production operation comprises a chain of processes, where interruptions and disruptions in one stage can have consequences as regards ITAB's ability to fulfil its obligations to the customer. The Group has 17 production facilities in European and in China, with a total area of approximately 300,000m$^2$. The largest production facilities are in Belgium, China, Sweden and the Czech Republic. The units are supplemented with local, flexible production facilities that are adapted to the various market areas' specific needs. The extent of a production stoppage is therefore limited to some extent by the market or a particular type of product. The number of in-house facilities and their location, principally in northern and central Europe, means that ITAB can move production temporarily to minimise the effects on the customer. ITAB also has an extensive network of subcontractors it can use. Analyses for identifying any risks associated with the production process have been implemented for preventive purposes. Activity lists of preventive measures have been draw up and are continually followed up. The activity lists include e.g. investments, back-up systems and working methods.

*Distribution*

ITAB is dependent on external parties for the transport of input goods to the company's production facilities as well as the delivery of products to customers. Any delivery disruptions can affect our undertakings to customers. ITAB always works with more than one transport partner in order to minimise the risk of delivery delays. The strategic location of the production facilities around Europe means that proximity to the market makes delivery reliability easier.

*IT systems*

ITAB is dependent on a well functioning IT infrastructure. Difficulties in maintaining, upgrading and integrating systems, as well as interruptions, can lead to negative impacts on production and administration. The different parts of the IT environment are of varying levels of importance for ITAB. Data communication and business systems are vital, while other systems can be affected by interruptions without operations being jeopardised as a result. For this reason, ITAB chooses standard solutions as far as possible. This applies both to IT infrastructure and in our choice of systems/applications. In this way, ITAB can specify clear demands regarding limited and defined service deliveries. In order to ensure the availability of and access to the relevant service, SLAs (service level agreements) are linked to appointed service deliveries. The greater the effect that an interruption in a particular service is judged to have on ITAB's operations, the higher the required service level.

*Laws and taxes*

ITAB conducts operations in a number of countries. New laws, taxes or regulations on various markets may entail restrictions to operations or impose new, more stringent requirements. ITAB continually assesses legal issues in order to make predictions and prepare the business for any changes. Provisions for legal disputes, tax disputes, etc., are based on an estimate of the costs, with the support of legal advice and the information that is available.

**ENVIRONMENTAL IMPACT**

The Group conducts activities that require disclosure in accordance with the Environmental Code at three Swedish subsidiaries. The Parent Company does not conduct any notifiable activities. During 2014, ITAB decided that it would start work in 2015 on reporting its sustainability work in accordance with GRI's framework. The first report submitted will refer to the whole of the 2015 financial year. A more detailed account of this and the Group's environmental activities can be found on pages 34-37.

**RESEARCH AND DEVELOPMENT**

The Group's companies conduct ongoing product development projects, in part alongside customers and in part in-house in order to develop new and improve existing products. The majority of the Group's product development relates to self-checkout and lighting products. During 2014, SEK 20.7 million was capitalised as development charges and is recognised as an intangible asset.

**SHARES AND OWNERSHIP STRUCTURE**

The company was listed for trade on First North in 2004. Since July 2008, the company is listed on Nasdaq Stockholm. The number of shares on closing day amounted to 33,906,410, of which 7,800,000 are Class A shares and 26,106,410 are Class B shares. Class A shares grant entitlement to ten votes and Class B shares grant entitlement to one vote. All shares have equal rights to dividends.

At present there are two shareholders who each own and control more than 10 per cent of the votes for all the shares in the company. Tord Johansson controls 24.25 per cent of the capital and 53.10 per cent of the votes via his own via holdings and holdings of related parties. Pomonagruppen holds 29.63 per cent of the capital and 28.32 per cent of the votes. The number of shareholders at closing day was 2,608 (2,098).

See also the section on the distribution of shares and shareholders on pages 10-13.

**THE WORK OF THE BOARD DURING THE YEAR**

ITAB's Board of Directors consists of seven ordinary members. The AGM-elected Board includes members who represent ITAB's major shareholders as well as independents. For more information, see the table on page 81.

▶

The CEO and other Group officials participate at Board meetings, either to present reports or in an administrative capacity.

During the 2014 financial year, the Board held ten meetings, seven of which were ordinary Board meetings. In addition to operational information, predetermined reports and resolution items are addressed at every regular meeting in accordance with the Board's rules of procedure. The Board also takes decisions on issues of a general nature, such as the Group's strategy, structural and organisational issues and major investments.

The Board's control function is handled by the Audit Committee. One of the company's auditors participates in at least one of the Board's meetings every year. At this time, the auditor presents observations made when auditing the company's accounts, procedures and internal audits.

**NOMINATION COMMITTEE**

At the 2014 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Johan Storm. The Nomination Committee's task for the 2015 AGM is to propose candidates for Chairman of the Board and other Board members, auditors, AGM meeting chairman, as well as fees and other remuneration for Board, committee and auditing work. Prior to the 2015 AGM, the Nomination Committee has held one minuted meeting to date. In addition, the Nomination Committee has a number of contacts.

**CORPORATE GOVERNANCE**

ITAB's corporate governance is based on Swedish legislation and the listing agreement with NASDAQ Stockholm. Directives issued by authorities and stakeholders within Swedish business and on the financial market are also applied to various issues. Governance, management and control are distributed between the shareholders at the AGM, the Board of Directors and the CEO in accordance with the Swedish Companies Act as well as the company's Articles of Association and rules of procedure.

From 1 July 2008, all companies listed on NASDAQ Stockholm shall follow the "Swedish Code of Corporate Governance" (the Code).

ITAB's corporate governance report is drawn up separately from the Directors' report and can be found on pages 78-81.

**AUTHORISATION TO THE BOARD OF DIRECTORS**

The Annual General Meeting decided to authorise the Board of Directors on one or more occasions through to the next Annual General Meeting, with or without deviating from shareholders' preferential rights, to decide on a new issue of shares and/or convertibles for a maximum one tenth of the company's issued shares.

The Annual General Meeting also decided to authorise the Board of Directors to decide on the purchase and transfer of company-owned shares. The authorisation is intended to give the Board more room for manoeuvre in dealing with the company's capital structure and, if deemed appropriate, to facilitate a convertible bond scheme for the Group's employees or the acquisition of businesses paid for with company shares. The Board is authorised to take such decisions on one or more occasions for execution before the 2015 Annual General Meeting.

**GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES**

Guidelines for terms of remuneration and other terms of employment for senior executives were unanimously adopted by the AGM in line with the Board's proposal.

The Board of Directors determines the principles for remuneration to senior executives. The purpose is to offer a market-related remuneration package that enables the company to recruit and retain senior executives. Remuneration to the Group management consists of the following: basic salary, variable result-based salary and pension.

The basic salary for Group management is to be market-rate in relation to position, individual qualifications and performance. The size of the variable salary depends on ITAB's results. Pension is covered by a premium-based pension system. The Board has the right to deviate from the guidelines should mitigating circumstances so require.

The basic salary is reviewed annually by the Board's Remuneration Committee. The Remuneration Committee consists of the Board members Lottie Svedenstedt (Chair), Tord Johansson and Sune Lantz, with CEO Ulf Rostedt as an additional member. The CEO is not present when issues regarding remuneration to the CEO are handled. See also under Note 8.

# PROPOSED ALLOCATION OF PROFITS

| PARENT COMPANY | |
|---|---|
| *The following unrestricted profit is at the disposal of the Annual General Meeting: (SEK)* | |
| Share premium reserve | 285,377,413 |
| Profit brought forward | 224,702,823 |
| Net profit for the year | 69,424,055 |
| **TOTAL** | **579,504,291** |

*The Board of Directors and CEO propose that these funds be distributed as follows: (SEK)*

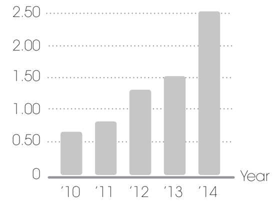
| | |
|---|---|
| To be paid as dividends to shareholders SEK 2.50 per share (33,906,410 shares) | 84,766,025 |
| To be carried forward to a new account | 494,738,266 |
| **TOTAL** | **579,504,291** |

**THE BOARD'S STATEMENT REGARDING THE PROPOSED DIVIDENDS**

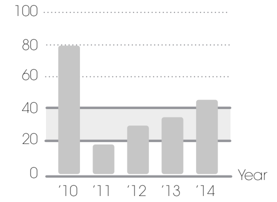
The proposed dividend is made up 13% of the Parent Company's equity and 7% of the Group's equity attributable to the Parent Company's shareholders. After the proposed dividends, the equity/assets ratio is secure since the company's and Group's business activities continue to be run profitably. The Board feels the company's and Group's liquidity can be maintained at a secure level.

It is the Board's opinion that the proposed dividend is justifiable in relation to the requirements placed on the Group's equity by the nature, scope and risks of the Group operation, as well as the Group's solvency requirement, liquidity and position in general, and that the dividend does not prevent the Parent Company or the other Group companies from fulfilling their obligations in the short and long term, nor from making the necessary investments. The Board of Directors considers the proposed dividend justifiable in terms of the requirements set out in the Swedish Companies Act, Chapter 17 § 3 sections 2-3 (precautionary principle).

**▼ DIVIDEND PER SHARE (SEK)**




**▼ DIVIDEND AS A PERCENTAGE OF THE GROUP'S NET EARNINGS (%)**



# FINANCIAL REVIEW – FIVE YEARS IN SUMMARY

| **Income statements (SEK m)** | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| Net sales | 3,938 | 3,574 | 3,511 | 3,341 | 2,748 |
| Cost of goods sold | -2,827 | -2,628 | -2,614 | -2,477 | -2,086 |
| **GROSS INCOME** | **1,111** | **946** | **897** | **864** | **662** |
| Selling expenses | -596 | -525 | -521 | -537 | -494 |
| Administrating expenses | -207 | -166 | -152 | -142 | -126 |
| Other operating income and expenses | 17 | -9 | 11 | 6 | 20 |
| **OPERATING PROFIT** | **325** | **246** | **235** | **191** | **62** |
| Financial items | -37 | -29 | -32 | -39 | -33 |
| **PROFIT AFTER FINANCIAL ITEMS** | **288** | **217** | **203** | **152** | **29** |
| Tax on the year's income | -70 | -55 | -41 | -29 | -6 |
| **NET PROFIT FOR THE YEAR** | **218** | **162** | **162** | **123** | **23** |
| *Related to:* | | | | | |
| Parent Company's shareholders | 204 | 152 | 153 | 120 | 23 |
| Holding without controlling influence | 14 | 10 | 9 | 3 | 0 |

| **Balance sheets (SEK m)** | | | | | |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Intangible non-current assets | 677 | 613 | 583 | 576 | 483 |
| Property, plant and equipment | 546 | 501 | 516 | 542 | 547 |
| Non-current receivables | 49 | 25 | 22 | 26 | 21 |
| **NON-CURRENT ASSETS** | **1,272** | **1,139** | **1,121** | **1,144** | **1,051** |
| Inventories | 821 | 710 | 682 | 682 | 491 |
| Current receivables | 826 | 664 | 573 | 644 | 545 |
| Cash and cash equivalents | 124 | 142 | 134 | 1 | 0 |
| **CURRENT ASSETS** | **1,771** | **1,516** | **1,389** | **1,327** | **1,036** |
| **TOTAL ASSETS** | **3,043** | **2,655** | **2,510** | **2,471** | **2,087** |
| *Equity and liabilities* | | | | | |
| Equity related to the Parent Company's shareholders | 1,225 | 997 | 885 | 559 | 459 |
| Equity related to shareholders without controlling influence | 63 | 42 | 31 | 39 | 1 |
| Non-current liabilities | 234 | 219 | 304 | 427 | 446 |
| Current liabilities | 1,521 | 1,397 | 1,290 | 1,446 | 1,181 |
| **TOTAL EQUITY AND LIABILITIES** | **3,043** | **2,655** | **2,510** | **2,471** | **2,087** |

| **Cash flow (SEK m)** | | | | | |
|---|---|---|---|---|---|
| Cash flow from operating activities | 277 | 137 | 271 | 205 | 20 |
| Cash flow from investing activities | -172 | -91 | -91 | -403 | -76 |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | **105** | **46** | **180** | **-198** | **-56** |
| Cash flow from financing activities | -148 | -39 | -41 | 199 | 56 |
| **CASH FLOW FOR THE YEAR** | **-43** | **7** | **139** | **1** | **0** |

| **Key ratios** | | | | | | |
|---|---|---|---|---|---|---|
| Operating margin | % | 8.3 | 6.9 | 6.7 | 5.7 | 2.2 |
| Profit margin | % | 7.3 | 6.1 | 5.8 | 4.6 | 1.1 |
| Interest coverage ratio | multiple | 9.9 | 7.5 | 6.7 | 4.5 | 1.8 |
| Depreciation according to plan | SEK million | 83 | 77 | 83 | 79 | 73 |
| Average no. of employees | no. | 2,441 | 2,277 | 2,194 | 1,751 | 1,512 |
| Return on equity | % | 18.8 | 16.6 | 20.7 | 24.1 | 4.6 |
| Return on capital employed | % | 16.0 | 13.4 | 12.9 | 11.4 | 4.1 |
| Return on total capital | % | 11.3 | 9.5 | 9.4 | 8.3 | 3.0 |
| Equity related to the Parent Company's shareholders | SEK million | 1.225 | 997 | 885 | 559 | 459 |
| Equity/assets ratio | % | 42 | 39 | 37 | 24 | 22 |
| Portion of risk-bearing capital | % | 46 | 43 | 41 | 36 | 35 |
| Interest-bearing net liability | SEK million | 880 | 890 | 896 | 1,183 | 1,036 |
| Net investments | SEK million | 172 | 91 | 91 | 402 | 76 |
| of which, related to corp. transactions | SEK million | 92 | 3 | 27 | 354 | 0 |

*Definitions, see page 43.*

# COMMENTS ON FIVE YEARS IN SUMMARY

**NET SALES**

During the period 2010-2014, ITAB's net sales increased from SEK 2,748 million to SEK 3,938 million. This corresponds to an average annual sales increase of 9%. In addition to organic growth, the acquisition of Nordic Light in particular has contributed positively to the change in sales, while exchange rate fluctuations have had a negative impact.

During the period, a number of long-term agreements have been concluded with leading chain stores within the food segment. These have laid the foundation for the company's position as the leading all-inclusive supplier of shop fittings in the Northern Europe, and also provide a foundation for growth. Concurrently, significant efforts have been devoted to increasing sales to the non-food segment.

In 2010, net sales were down by SEK 28 million, a decline of 1% compared to 2009. No business acquisitions or divestments were made in 2010. Exchange rate fluctuations had a negative impact on turnover in the amount of approximately SEK 180 million, compared with 2009. Sales, measured in local currency, declined in the Dutch market while sales on most of ITAB's other markets rose. Net sales to the pharmacy sector rose markedly during the period, primarily due to the deregulation of the Swedish pharmacy market.

In 2011, net sales increased by SEK 593 million, an increase of 22%. Foreign currency fluctuations had a negative impact on turnover in the amount of about SEK 140 million compared with 2010. Currency-adjusted sales rose by 27%. Two-thirds of the increase was organic growth, the largest of which stems from Central Europe and UK & Ireland. Growth via acquisitions refers to Nordic Light Group, which was incorporated as of 1 September 2011.

In 2012, net sales increased by SEK 170 million, an increase of 5%. Currency-adjusted sales rose by 6%. Organic growth was negative, principally due to a marked reduction in sales for Central Europe, while Scandinavia's sales also decreased compared to 2011. Europa Shopfitting in the UK was acquired during 2012, and was incorporated as of June 2012.

In 2013, net sales increased by SEK 63 million, an increase of 2%. The currency-adjusted increase was 5%, primarily due to the growth in sales in the UK & Ireland. Sales decreased in the Benelux countries, while sales in other countries was on a par with 2012.

In 2014, net sales increased by SEK 364 million, an increase of 10%. Currency-adjusted sales rose by 6%. The majority of the increase relates to Central Europe, although sales in Scandinavia also increased compared to 2013. The increase in sales has also been affected by the acquisitions that were made during the fourth quarter of the year.

**PROFITABILITY**

Operating profit during the five-year period varied between a minimum of SEK 62 million (2010) and a maximum of SEK 325 million (2014). The operating margin during the five-year period was stable within an interval of 2.2% and 8.3%. Income after net financial items reached between SEK 29 million (2010) and SEK 288 million (2014). The five-year period's profit margin has fluctuated between 1.1% and 7.3%.

The weak profitability reported for 2010 is attributed primarily to fact that only a limited share of the substantial increase in raw material expenses could be transferred to customers. Profit was also burdened by restructuring and one-off expenses of about SEK 30 million, which largely consisted of expenses for organisational changes and liquidation of inventory in Denmark. The improvement in profitability for 2011 was primarily due to the volume growth reported in all market areas combined with the streamlining and cost-saving measures implemented in 2010, which had an impact in the early part of 2011. The acquisition of Nordic Light Group also contributed to improving profitability. Profitability improved further during 2012, which can primarily be explained by a modified sales mix, streamlining measures and lower cost base in several units. In 2013, the operating margin improved to 6.9% compared to 6.7% in 2012, despite the negative exchange rate impact as well as intensified marketing activities in lighting and self-checkouts. The improvement is also due to the fact that the effects of the long-term work aimed at strengthening the gross margin, primarily through efficiency improvements, have had a positive impact on earnings. In 2014, the operating margin improved to 8.3%. The reason for this is a continued positive development of the gross margin, primarily as a result of increased capacity in the Group's production facilities as well as increased sales volumes.

The Group's return on equity has averaged approximately 17% over the past five years. Over an extended period, the Group's goal is to achieve a minimum 20% return on equity.

**INVESTMENTS**

Net investments, excluding business acquisitions, amounted to between one and three per cent of turnover during the period 2010-2014.

The Group's investments during the period have principally consisted of machinery with the focus on unmanned operations, high utilisation of resources and leading technical advances. ITAB is consequently well equipped to face the future with limited investment requirements over the next few years. For 2010-2014, a significant share of the net investments also refers to development of various self-checkout solutions for shops.

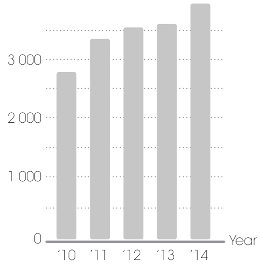
The five-year period's investments related to business acquisitions centered on reinforcing the company's position as an all-inclusive shop fittings supplier to the Group's selected markets, and reinforcing and adding to the contents of the product portfolio in certain areas.

**FINANCIAL PERFORMANCE**

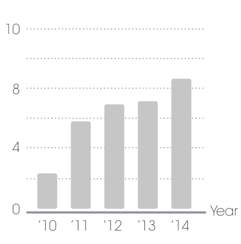
The balance sheet total has climbed from SEK 2,087 million in 2010 to SEK 3,043 million in 2014. This increase is in part due to the investments in both production facilities and equipment, and in part to the period's corporate acquisitions. Expansion has been realised with the aid of a positive cash flow from current activities as well as a new issue of convertible debentures, which have been converted to equity during 2012. At the same time, this has meant that the interest-bearing net liability has been reduced from SEK 1,036 million in 2010 to SEK 880 million in 2014.

The Group's equity/assets ratio has stood at between 22% and 42% over the last five years, and the proportion of risk-bearing capital has varied between 35% and 46%. The Group's goal is to have risk-bearing capital of at least 25%.

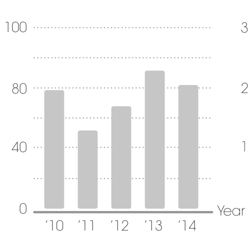
**▼ NET SALES (SEK M)**



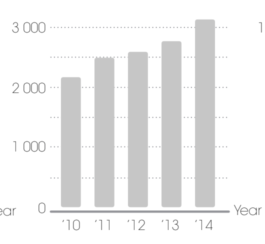

**▼ OPERATING MARGIN (%)**



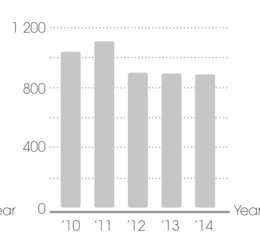

**▼ INVESTMENTS EXCL. CORPORATE TRANSACTIONS (SEK M)**




**▼ BALANCE SHEET TOTAL (SEK M)**




**▼ INTEREST-BEARING LIABILITIES (SEK M)**



# INCOME STATEMENT – GROUP

| (SEK m) | Notes | 2014 | 2013 |
|---|---|---|---|
| Net sales | 6 | 3,937.6 | 3,574.0 |
| Cost of goods sold | 8,9,10,11 | -2,826.9 | -2,627.6 |
| **GROSS PROFIT** | | **1,110.7** | **946.4** |
| Selling expenses | 8,9,10,11 | -595.3 | -525.4 |
| Administrating expenses | 8,9,10,11 | -207.1 | -165.7 |
| Other operating income | 12 | 57.4 | 22.1 |
| Other operating expenses | 12 | -40.3 | -31.6 |
| **OPERATING PROFIT** | | **325.4** | **245.8** |
| Financial income | 14 | 2.9 | 4.6 |
| Financial expenses | 14 | -40.2 | -33.3 |
| **PROFIT AFTER FINANCIAL ITEMS** | | **288.1** | **217.1** |
| Tax expenses for the year | 16 | -70.3 | -54.9 |
| **NET PROFIT FOR THE YEAR** | | **217.8** | **162.2** |
| Profit for the year related to: | | | |
| Parent Company's shareholders | | 204.3 | 152.3 |
| Holding without controlling influence | | 13.5 | 9.9 |
| EARNINGS PER SHARE | 17 | | |
| before dilution, SEK | | 6,03 | 4,49 |
| after dilution, SEK | | 5,92 | 4,44 |
| AVERAGE NUMBER OF OUTSTANDING SHARES | | | |
| before dilution, shares | 17 | 33,906,410 | 33,906,410 |
| after dilution, shares | | 34,757,484 | 34,556,816 |
| ACTUAL NUMBER OF SHARES AT YEAR-END | | | |
| before dilution, shares | 17 | 33,906,410 | 33,906,410 |
| after dilution, shares | | 34,757,484 | 34,556,816 |

*At the AGM on 7 May 2014, it was decided to split the company's shares 2:1, which means that each share was divided into two shares of the same type.*
*The record date for the share split was 23 May 2014. After the completed split, the number of shares in ITAB totalled 33,906,410, of which 7,800,000 are Class A shares and 26,106,410 are Class B shares. All comparative figures have been updated.*
*The Group has two outstanding convertible debenture schemes. In the first scheme, which runs during the period 1 July 2012 to 30 June 2016, conversion to a maximum of 650,406 Class B shares can take place during the period 1-10 June 2016 at a subscription price of SEK 61.50. In the second scheme, a subscription for convertible shares for employees was carried out during June 2014.*
*The scheme runs during the period 1 July 2014 to 30 June 2018 and conversion to a maximum of 200,668 Class B shares can take place during the period 1-11 June 2018 at a subscription price of SEK 149.50.*
*The total number of shares after full dilution will then be 34,757,484.*

# STATEMENT OF EARNINGS AND OTHER COMPREHENSIVE INCOME – GROUP

| (SEK m) | Notes | 2014 | 2013 |
|---|---|---|---|
| **NET PROFIT FOR THE YEAR** | | **217.8** | **162.2** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified to the income statement:** | | | |
| Actuarial gains and losses on defined-benefit pension commitments | 29 | -3.2 | -2.3 |
| Tax on items that will not be reclassified | 16 | 0.9 | 0.6 |
| | | -2.3 | -1.7 |
| **Items that may be reclassified to the income statement:** | | | |
| Translation difference when translating foreign operations | | 84.2 | 6.2 |
| Translation difference transferred to the year's profit or loss | | 1.4 | - |
| Change in fair value of hedges of net investments | | -6.5 | -1.2 |
| Change in fair value of hedges in net investments transferred to this year's result | | -0.2 | -5.9 |
| Change in fair value of cash flow hedges | | -9.8 | -15.2 |
| Change in fair value of cash flow hedges transferred to this year's result | | 17.1 | 20.4 |
| Tax on items that can be reclassified | 16 | -0.1 | 0.5 |
| | | 86.1 | 4.8 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | 83.8 | 3.1 |
| **YEAR'S COMPREHENSIVE INCOME** | | **301.6** | **165.3** |
| The year's comprehensive income related to: | | | |
| Parent Company's shareholders | | 279.7 | 154.5 |
| Holding without controlling influence | | 21.9 | 10.8 |

# STATEMENT OF FINANCIAL POSITION – GROUP

| (SEK m) | Notes | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | | |
| *Intangible assets* | | | |
| Patents, licenses, trademarks and other intangible assets | | 125.1 | 110.1 |
| Goodwill | | 551.4 | 502.6 |
| | 10,18 | **676.5** | **612.7** |
| *Property, plant and equipment* | | | |
| Buildings and land | | 278.4 | 273.1 |
| Plant and machinery | | 197.1 | 166.0 |
| Equipment, tools and installations | | 69.1 | 59.4 |
| Construction in progress and advance payments for property, plant and equipment | | 1.8 | 2.2 |
| | 6,10,19,22 | **546.4** | **500.7** |
| Deferred tax assets | 16 | 46.9 | 25.0 |
| Financial non-current receivables | 21 | 2.0 | 0.6 |
| | | **48.9** | **25.6** |
| **TOTAL NON-CURRENT ASSETS** | | **1,271.8** | **1,139.0** |
| CURRENT ASSETS | | | |
| Inventories | 23 | 821.0 | 710.1 |
| Accounts receivable | 4,21 | 679.0 | 564.6 |
| Current tax assets | | 20.0 | - |
| Derivative receivables | 21 | 6.5 | - |
| Other receivables | 21 | 61.2 | 47.8 |
| Prepaid expenses and accrued income | 21, 24 | 59.7 | 51.0 |
| Cash and cash equivalents | 21 | 123.6 | 142.4 |
| **TOTAL CURRENT ASSETS** | | **1,771.0** | **1,515.9** |
| **TOTAL ASSETS** | | **3,042.8** | **2,654.9** |
| **EQUITY AND LIABILITIES** | | | |
| EQUITY | 25 | | |
| Share capital | | 42.4 | 42.4 |
| Other contributed capital | | 290.9 | 290.9 |
| Other reserves | | -22.6 | -100.3 |
| Profit brought forward including net profit for the year | | 914.7 | 763.6 |
| Equity related to the Parent Company's shareholders | | **1,225.4** | **996.6** |
| Holding without controlling influence | | 62.5 | 42.3 |
| **TOTAL EQUITY** | | **1,287.9** | **1,038.9** |
| NON-CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 21,22,27 | 99.9 | 113.4 |
| Convertible debenture loan | 21,27,28 | 68.6 | 39.8 |
| Provisions for pensions and similar obligations | 29 | 8.3 | 7.0 |
| Deferred tax liability | 16 | 48.5 | 49.3 |
| Other non-current provisions | 30 | 8.9 | 9.1 |
| | | **234.1** | **218.6** |
| CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 22,27 | 34.0 | 161.9 |
| Overdraft facilities | 27 | 769.8 | 684.7 |
| Derivative liabilities | 27 | 38.4 | 32.6 |
| Advance payments from customers | | 8.7 | 40.8 |
| Accounts payable, trade | | 339.2 | 272.2 |
| Current tax liabilities | | 42.4 | 6.9 |
| Other liabilities | | 63.1 | 58.4 |
| Accrued expenses and prepaid income | 31 | 213.2 | 139.9 |
| Other current provisions | 30 | 12.0 | 0.0 |
| | 21 | **1,520.8** | **1,397.4** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,042.8** | **2,654.9** |

*For information about the Group's pledged assets and contingent liabilities, see notes 32 and 33.*

# STATEMENT OF CHANGES IN EQUITY – GROUP

| (SEK m) | Share capital | Other contributed capital | Other reserves See Note 25 | Profit brought forward | Related to the Parent Company's shareholders | Related to holdings without controlling influence | Total equity |
|---|---|---|---|---|---|---|---|
| **EQUITY 1 JANUARY 2013** | **42.4** | **290.9** | **-104.2** | **655.4** | **884.5** | **31.4** | **915.9** |
| Net profit for the year | | | | 152.3 | 152.3 | 9.9 | 162.2 |
| Other comprehensive income | | | 3.9 | -1.7 | 2.2 | 0.9 | 3.1 |
| **YEAR'S COMPREHENSIVE INCOME** | | | **3.9** | **150.6** | **154.5** | **10.8** | **165.3** |
| Dividends | | | | -42.4 | -42.4 | | -42.4 |
| **EQUITY 31 DECEMBER 2013** | **42.4** | **290.9** | **-100.3** | **763.6** | **996.6** | **42.2** | **1,038.8** |
| Net profit for the year | | | | 204.3 | 204.3 | 13.5 | 217.8 |
| Other comprehensive income | | | 77.7 | -2.3 | 75.4 | 8.4 | 83.8 |
| **YEAR'S COMPREHENSIVE INCOME** | | | **77.7** | **202.0** | **279.7** | **21.9** | **301.6** |
| Dividends | | | | -50.9 | -50.9 | -5.7 | -56.6 |
| Acquisition of holdings without controlling influence | | | | | | 4.1 | 4.1 |
| **EQUITY 31 DECEMBER 2014** | **42.4** | **290.9** | **-22.6** | **914.7** | **1,225.4** | **62.5** | **1,287.9** |

# STATEMENT OF CASH FLOWS – GROUP

| (SEK m) | Notes | 2014 | 2013 |
|---|---|---|---|
| *Operating activities* | | | |
| **OPERATING PROFIT** | | **325.4** | **245.8** |
| Adjustment for items not included in the cash flow | | | |
| depreciation charged to operating profit | | 83.2 | 77.3 |
| changes in pensions and other provisions | | -2.1 | -23.0 |
| profit from acquired operations | 5 | -43.4 | - |
| other items | | -0.3 | -0.1 |
| interest received | | 1.4 | 1.2 |
| interest paid | | -31.2 | -26.0 |
| tax paid | | -74.4 | -39.6 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **258.6** | **235.6** |
| *Change in working capital* | | | |
| changes in inventories (increase -/decrease +) | | -0.3 | -25.6 |
| changes in operating receivables (increase -/decrease +) | | 41.0 | -102.4 |
| changes in operating liabilities (increase +/decrease -) | | -22.0 | 29.1 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **277.3** | **136.7** |
| *Investing activities* | | | |
| acquisition of operations, net effect on cash | 5 | -88.5 | 0.0 |
| additional considerations paid and successive acquisitions | 5 | -3.1 | -3.2 |
| purchase of intangible non-current assets | 18 | -21.2 | -26.0 |
| purchase on tangible non-current assets | 19 | -61.0 | -67.0 |
| sale of property, plant and equipment | 19 | 2.4 | 5.8 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | **-171.4** | **-90.4** |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | | **105.9** | **46.3** |
| *Financing activities* | 28 | | |
| convertible debenture loan | | 30.0 | - |
| repayment of loans | | -161.0 | -106.1 |
| raised loans | | 39.8 | 108.9 |
| payment of interest-bearing receivables | | -0.6 | - |
| repayment of interest-bearing receivables | | - | 0.3 |
| Paid dividend to holdings without controlling influence | | -5.7 | - |
| Paid dividend to shareholders | | -50.9 | -42.4 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **-148.4** | **-39.3** |
| **CASH FLOW FOR THE YEAR** | | **-42.5** | **7.0** |
| CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR | | 142.4 | 133.7 |
| TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS | | 23.7 | 1.7 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **123.6** | **142.4** |

# INCOME STATEMENT – PARENT COMPANY

| (SEK m) | Notes | 2014 | 2013 |
|---|---|---|---|
| Net sales | 7 | 41.4 | 34.6 |
| Cost of goods sold | 7,8,9,10,11 | -10.1 | -7.5 |
| **GROSS PROFIT** | | **31.3** | **27.1** |
| Selling expenses | 7,8,9,10,11 | -21.7 | -15.9 |
| Administrating expenses | 7,8,9,10,11 | -25.1 | -18.8 |
| Other operating income | 12 | 14.3 | 4.6 |
| Other operating expenses | 12 | -23.5 | -20.1 |
| **OPERATING PROFIT** | | **-24.7** | **-23.1** |
| Profit from participations in Group companies | 13 | 112.4 | 47.2 |
| Financial income | 14 | 9.2 | 22.8 |
| Financial expenses | 14 | -94.8 | -27.6 |
| **PROFIT AFTER FINANCIAL ITEMS** | | **2.1** | **19.3** |
| Year-end appropriations | 15 | 55.7 | 34.3 |
| **PROFIT BEFORE TAX** | | **57.8** | **53.6** |
| Tax expenses for the year | 16 | 11.7 | -1.5 |
| **NET PROFIT FOR THE YEAR** | | **69.5** | **52.1** |
| Other comprehensive income | | - | - |
| **YEAR'S COMPREHENSIVE INCOME** | | **69.5** | **52.1** |

# BALANCE SHEET – PARENT COMPANY

| (SEK m) | Notes | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | | |
| *Property, plant and equipment* | | | |
| Equipment, tools and installations | 19 | 0.6 | 0.8 |
| *Financial non-current assets* | | | |
| Participations in Group companies | 20 | 1,164.3 | 1,155.9 |
| Deferred tax assets | 16 | 13.1 | 1.2 |
| **TOTAL NON-CURRENT ASSETS** | | **1,178.0** | **1,157.9** |
| CURRENT ASSETS | | | |
| Receivables from Group companies | 21 | 395.1 | 344.3 |
| Current tax assets | | 4.3 | 4.3 |
| Other receivables | 21 | 3.5 | 0.0 |
| Prepaid expenses and accrued income | 24 | 9.4 | 10.6 |
| Cash and bank balance | 21 | 0.0 | 0.0 |
| **TOTAL CURRENT ASSETS** | | **412.3** | **359.2** |
| **TOTAL ASSETS** | | **1,590.3** | **1,517.1** |
| **EQUITY AND LIABILITIES** | | | |
| EQUITY | 25 | | |
| *Restricted equity* | | | |
| Share capital | | 42.4 | 42.4 |
| Statutory reserve | | 7.0 | 7.0 |
| | | **49.4** | **49.4** |
| *Non-restricted equity* | | | |
| Share premium reserve | | 285.4 | 285.4 |
| Profit brought forward | | 224.6 | 223.4 |
| Net profit for the year | | 69.5 | 52.1 |
| | | **579.5** | **560.9** |
| **TOTAL EQUITY** | | **628.9** | **610.3** |
| UNTAXED RESERVES | 26 | 0.0 | 0.1 |
| NON-CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 27 | 10.0 | 117.6 |
| Liabilities to Group companies | | 1.0 | - |
| Convertible debenture loan | 27,28 | 68.6 | 39.8 |
| | 21 | **79.6** | **157.4** |
| CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 27 | 5.0 | 55.0 |
| Overdraft facilities | 27 | 763.4 | 621.4 |
| Accounts payable, trade | | 2.6 | 5.1 |
| Liabilities to Group companies | | 94.7 | 56.0 |
| Other liabilities | | 1.7 | 1.6 |
| Accrued expenses and prepaid income | 31 | 14.4 | 10.2 |
| | 21 | **881.8** | **749.3** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,590.3** | **1,517.1** |
| Pledged assets | 32 | **753.5** | **753.5** |
| Contingent liabilities | 33 | **210.5** | **159.4** |

# STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

| (SEK m) | Share capital | Statutory reserve | **Total restricted equity** | Share premium reserve | Profit brought forward | **Total non-restricted equity** | **Total equity** |
|---|---|---|---|---|---|---|---|
| **EQUITY 1 JANUARY 2013** | 42.4 | 7.0 | **49.4** | 285.4 | 265.8 | **551.2** | **600.6** |
| Net profit for the year | | | | | 52.1 | 52.1 | 52.1 |
| **YEAR'S COMPREHENSIVE INCOME** | | | | | 52.1 | **52.1** | **52.1** |
| Dividends | | | | | -42.4 | -42.4 | -42.4 |
| **EQUITY 31 DECEMBER 2013** | 42.4 | 7.0 | **49.4** | 285.4 | 275.5 | **560.9** | **610.3** |
| Net profit for the year | | | | | 69.5 | 69.5 | 69.5 |
| **YEAR'S COMPREHENSIVE INCOME** | | | | | 69.5 | **69.5** | **69.5** |
| Dividends | | | | | -50.9 | -50.9 | -50.9 |
| **EQUITY 31 DECEMBER 2014** | 42.4 | 7.0 | **49.4** | 285.4 | 294.1 | **579.5** | **628.9** |

# STATEMENT OF CASH FLOWS – PARENT COMPANY

| (SEK m) | **Notes** | **2014** | **2013** |
|---|---|---|---|
| *Operating activities* | | | |
| **OPERATING PROFIT** | | **-24.7** | **-23.1** |
| depreciation charged to operating profit | | 0.4 | 0.4 |
| adjustments for other items not included in cash flow | | -0.3 | 0.0 |
| dividends received from subsidiaries | | 113.4 | 52.0 |
| interest received | | 9.2 | 8.5 |
| interest paid | | -25.5 | -28.3 |
| tax paid | | -0.2 | -0.3 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **72.3** | **9.2** |
| *Change in working capital* | | | |
| current receivables | | -2.3 | -8.0 |
| current liabilities | | 1.3 | 0.9 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **71.3** | **2.1** |
| *Investing activities* | | | |
| acquisition of subsidiaries | 20 | -8.7 | 0.0 |
| purchase of equipment | 19 | -0.2 | -0.5 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | **-8.9** | **-0.5** |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | | **62.4** | **1.6** |
| *Financing activities* | | | |
| convertible debenture loan | 28 | 30.0 | - |
| repayment of loans | | -160.8 | -103.0 |
| change of financial liabilities | | 145.2 | 218.9 |
| lending to Group companies | | -81.6 | -109.4 |
| Group contributions | 15 | 55.7 | 34.3 |
| dividend paid | | -50.9 | -42.4 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **-62.4** | **-1.6** |
| **CASH FLOW FOR THE YEAR** | | **0.0** | **0.0** |
| CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR | | 0.0 | 0.0 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | 0.0 | 0.0 |

# NOTES (all amounts are in SEK millions unless otherwise stated.)

## NOTE 1. GENERAL INFORMATION

ITAB Shop Concept AB, corporate identity number 556292-1089, is a Swedish registered limited liability company with its registered office in Jönköping, Sweden. The address of the company's head office is Instrumentvägen 2, Jönköping, Sweden. The Parent Company's shares are listed on Nasdaq Stockholm.

The consolidated accounts include the Parent company and its subsidiaries, jointly referred to as the Group. These consolidated accounts were approved for publication by the Board of Directors on 17 March 2015.

## NOTE 2. ACCOUNTING PRINCIPLES

**BASIS FOR PREPARATION OF THE STATEMENTS**

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 has been applied.

The Parent Company applies the same accounting principles as the Group except for the instances described in the section "Parent company's accounting principles". The Parent Company's functional currency is the Swedish krona (SEK). This means that the financial reports are presented in the presentation currency Swedish krona, rounded off to the nearest million. Assets and liabilities are recognised at their historic cost values, except certain financial assets and liabilities that are measured at fair value.

**AMENDED ACCOUNTING POLICIES AND DISCLOSURES FOR THE GROUP**

Only amendments which may be relevant for ITAB are presented below.

***Adopted new and amended IFRS***

New and amended IFRS as from 1 January 2014 have not had any impact on ITAB in 2014, although the following can influence the reporting of future transactions and business events:

*IFRS 10 Consolidated financial statements* describes when controls exist and consequently when a company is to be included in the consolidated financial statements. The standard provides guidance for assessing when controls exist. The standard enters into force on 1 January 2013. The EU has approved the standard, to enter into force on 1 January 2014.

*IFRS 12 Disclosures of interests in other entities* includes extended disclosure requirements e.g. for subsidiaries with a significant share of holdings without controlling influence. As regards the effective date, see above under IFRS 10.

*IAS 27 Separate financial statements.* Recognition and disclosures in legal entities of e.g. subsidiaries. As regards the effective date, see above under IFRS 10.

*Amendments in IFRS 32 Financial instruments:* Classification introduces a clarification in the section *"Application guidance"* in respect of the offsetting of financial assets and financial liabilities. The amendments enter into force on 1 January 2014.

*The amendment in IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"* must be applied for financial years beginning on 1 January 2014 or later. In brief, the amendment means that further disclosures shall be provided regarding fair value when the recovery value of an asset that has been written down is based on fair value minus sales expenses.

**PUBLISHED AMENDMENTS OF ACCOUNTING STANDARDS TO BE APPLIED FROM 1 JANUARY 2015 OR THEREAFTER**

ITAB Shop Concept AB is currently conducting additional work to evaluate the potential effects of the following determined although not yet implemented new and amended standards.

*IFRS 9 Financial instruments.* IFRS 9 is intended to replace IAS 39. The new standard has been revised in various parts, for example with regard to the recognition and valuation of financial assets and financial liabilities. The standard is divided into three parts: classification and valuation, hedge accounting and impairment. IFRS 9 will be applied from 1 January 2018.

*IFRS 15 Revenue from Contracts with Customers.* This standard enters into force for financial years starting on 1 January 2017 or later, and is not yet approved by the EU. The standard replaces all previously issued standards and interpretations dealing with income. IFRS 15 includes a combined model for revenue recognition in respect of customer contracts.

*Amendments in IAS 16 Property, plant and equipment, and IAS 38 Intangible assets* enter into force in financial years beginning on 1 January 2016 or later, and have not yet been approved by the EU. This standard prohibits income-based depreciation of property, plant and equipment. An income-based method may only be used for intangible assets in exceptional cases.

**CONSOLIDATED ACCOUNTS**

The consolidated final accounts include the Parent Company, ITAB Shop Concept AB, and companies in which ITAB Shop Concept AB, directly or indirectly, has a controlling influence as per the closing day. A controlling influence is defined as the right to a variable return and the potential to influence the return with the aid of the controlling influence. This is normally achieved if the holding corresponds to more than 50 per cent of the votes.

The consolidated accounts have been prepared in accordance with the acquisition method of accounting. This means that shares in subsidiaries are replaced in the consolidated accounts with the subsidiaries' identifiable assets, liabilities and contingent liabilities, measured at fair value after consideration for deferred tax at the time of acquisition. The acquired subsidiaries' equity attributable to the Parent Company's shareholders is eliminated in full, which means that the Group's equity includes only the portion of the subsidiary's equity earned after the acquisition.

If the Group-related cost for the shares, including any amounts for holdings without controlling influence, exceeds the value entered for the company's net assets in the acquisition balance, the difference is recognised as Group goodwill. If the Group-related cost for the shares instead is lower than the value of the company's net assets, the difference is recognised directly in the income statement.

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, which influences recognised goodwill linked to the acquisition.

Subsidiaries are consolidated from the date the Group first has a controlling influence over the company until such time as this control ceases.

**TRANSLATION OF FOREIGN CURRENCY**

***Functional currency and presentation currency***

Items in the financial statements for the various Group units are measured in the currency used in the financial climate where each company primarily conducts its business (functional currency). ▶

The consolidated accounts employ SEK, which is the Parent Company's functional currency and presentation currency.

***Transactions and balances in foreign currencies***

Transactions in foreign currencies are translated to the functional currency at the exchange rate value on the transaction day.

Exchange rate gains and losses incurred when paying such transactions and when converting monetary assets and liabilities in foreign currency at the closing day rate are reported in the income statement. Exceptions include when monetary assets and liabilities comprise hedging of net investments in foreign operations, when exchange rate differences are recognised in Other comprehensive income. A precondition is that the hedging transactions satisfy the necessary requirements as regards hedge accounting.

***Foreign Group companies***

The earnings and financial position of all Group companies (of which none have a hyperinflation currency) that have a functional currency other than the presentation currency are translated to the Group's presentation currency as follows:

(i) assets and liabilities for each of the balance sheets are translated at the closing day rate,

(ii) income and costs for each of the income statements are translated at average exchange rate (unless the average rate is not a reasonable approximation of the accumulated effect of the rates valid on the transaction day, in which case income and costs are translated as per transaction day rates),

(iii) all translation differences that arise are recognised in Other comprehensive income.

During consolidation, exchange rate differences that arise as a consequence of the translation of net investments in foreign operations and from borrowings and other currency instruments identified as hedging of such investments, are charged to Other comprehensive income. Translation differences that arise when divesting foreign businesses are recognised in the income statement as part of the capital gains/losses. Goodwill and other assets and liabilities that arise when acquiring a foreign business are treated as assets and liabilities for this business and translated at the closing day rate.

**REVENUE RECOGNITION**

The Group's revenues includes the actual value of what has been received or will be received for sold goods and services in the Group's ongoing activities, excluding VAT and discounts and after elimination of internal Group sales. Income is recognised as follows:

***Sale of goods***

The Group's sales consist primarily of the sale of goods. The sale of goods is recognised as income in the period in which the product is supplied and when all significant risks and benefits associated with ownership have been transferred to the buyer. As a result, the Group no longer has any involvement that is associated with ownership or does not exercise any real control. Sales are recognised exclusive of VAT and adjusted for any discounts.

***Sale of services***

Recognition of the sale of services takes place in accordance with the principle of successive revenue recognition. Income is recognised on the basis of the degree of completion at the point when the Group will probably receive economic benefits that are associated with the assignment and reliable calculations can be performed. The degree of completion is determined on the basis of expenditure incurred in relation to calculated total costs. Anticipated losses are expensed immediately.

***Interest income***

Interest income is recognised distributed over the duration with the application of the effective interest method.

***Dividend income***

Received dividends are recognised as income when the right to receive payment has been determined.

***Other operating income and expenses***

Other operating income and expenses derive from activities outside of the Group's primary operations, including exchange rate differences for operating receivables and operating liabilities, external rental income and profit from the sale and retirement of property, plant and equipment.

**LEASING**

Leases are classified as either finance leases or operating leases. Financial leasing is when the financial risks and benefits associated with the ownership are essentially transferred to the lessee. If this is not the case, the contract relates to operating leasing. Any variable expenses are expensed in the periods in which they occur.

***Financial leases***

Financial leasing means that the object in question is reported as a tangible fixed asset, at the same time as a corresponding borrowing is recognised. The lease payment is allocated between a depreciation segment and an interest expenses segment in the income statement.

***Operating leases***

Expenses for operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Benefits received in connection with signing a lease are recognised in the income state on a straight-line basis over the period of the lease.

**FINANCIAL INCOME AND EXPENSES**

Financial income and expenses comprise interest income from money in the bank, receivables and interest-bearing securities, interest expenses on borrowings, dividend income, exchange rate differences and changes in the value of derivative instruments. Borrowing costs are expensed to earnings for the period to which the relevant loans are attributable.

**INCOME TAX**

Recognised income tax includes tax to be paid or received for the year in question, adjustments for previous years' tax and changes in deferred tax. Deferred tax is reported on temporary differences that exist between fiscal and recognised values of assets and liabilities, as well as on fiscal losses carry forward that are considered possible for future use. Temporary differences are not considered for differences that arise when goodwill is recognised the first time. Measurement of deferred tax is based on how assets or liabilities are expected to be recovered or settled.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the closing day. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available, against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to do so and when the deferred taxes relate to the same tax authority.

**PENSIONS**

The Group's pension plans are almost entirely defined-contribution plans. The costs for these plans are recognised during the period the employees perform the services to which the contribution refers. The Swedish subsidiaries have a pension arrangement via Alecta in a benefit-based ITP plan. At present, Alecta cannot provide information for the Group to report this plan in the balance sheet in accordance with IAS 19, Employee Benefits. Pension commitments that have not been taken over by insurance companies or secured in some other way with an external party are reported as provisions in the balance sheet.

**INTANGIBLE FIXED ASSETS**

***Balanced expenses for development work***

Development expenses, where the research results are used to plan or create production of new or greatly improved processes or products, are capitalised if it is judged that the process or product is technically or commercially viable. The expenses are recognised as an asset in the balance sheet from the time when technical and economical feasibility of the product has been established, the company has the resources to complete the development process in order thereafter to use or sell the intangible asset, and it is feasible that the product will generate future economic benefits. The recognised value includes expenses for material, direct expenses and indirect expenses that can reasonably and consistently be attributed to the asset.

Capitalised development expenses are recognised at cost less accumulated depreciation and any impairment. Depreciation is recognised over the estimated useful life of the capitalised development expenses. Depreciation commences from the time the asset is available for use. The estimated useful life varies between 3 and 10 years. Estimated useful lives are reassessed every year.

***Trademarks, patents and similar rights***

Trademarks, patents and similar rights are recognised at cost, less accumulated depreciation. The depreciation is carried out on a straight-line basis over the estimated useful life, 5-10 years. Estimated useful lives are reassessed every year.

***Goodwill***

Goodwill represents the difference between cost and fair value of the acquired assets, transferred liabilities and contingent liabilities. The factors that constitute recognised goodwill are primarily synergy effects in product supply, staff, know-how, customer contacts of strategic significance, and market leading position in selected markets. Recognised goodwill is tested for impairment annually or when there is an indication of possible impairment; see the section on Impairment in Note 3. A cash-generating unit is defined in IAS 36 as the smallest identifiable group of assets that, in continuous use, generates cash inflows that are essentially independent of other assets or groups of assets. No distribution of the Group's goodwill has been performed because all Group companies' activities and their cash inflow are to a great extent dependent on each other. See Note 6.

The recoverable value for this unit has been determined based on the unit's value in use, which consists of the present value of the estimated future cash flows. Identification of projected cash flows is based in part on an assessment of the expected rate of growth of the business in accordance with forecasts prepared for the next four years. The company uses weighted average cost of capital (WACC) to discount projected cash flows and estimate the cash-generating unit's value in use, see also Note 18.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are recognised as assets in the balance sheet if it is probable that future economic benefits will flow to the company and that cost can be reliably estimated. Assets are valued at cost, less deductions for accumulated depreciation according to plan and any impairment. Cost includes the purchasing price and costs directly related to transporting the asset to site and in a condition that it can be utilised. Expenses for improving the performance of plant, property and equipment, beyond the normal level, increase the asset's value and are recognised in the balance sheet as a part of the original investment. Expenses for repairs and maintenance are expensed when incurred. Depreciation is carried out systematically over the assets' expected useful life and commences after the non-current asset has been taken into operation. The Group applies component depreciation, which means that each part of a tangible fixed asset with a cost value that is significant in relation to the combined cost of the asset, is depreciated separately. Land is not depreciated.

***Depreciation plan***

| | |
|---|---|
| Buildings | 10-40 years |
| Land improvement | 10-20 years |
| Improvements to others' property | 10-20 years |
| Machinery and equipment | 3-10 years |

Assets' utilisation period and residual value are reviewed regularly and adjusted regularly as needed.

***Leased assets***

See previous section concerning Leasing.

**FINANCIAL INSTRUMENTS**

Financial instruments are every form of contract that gives rise to a financial asset, financial liability or an equity instrument in another company. This includes cash and cash equivalents, interest-bearing receivables, accounts receivable, accounts payable, current and long-term borrowing and derivative instruments.

**CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES**

A financial instrument is classified at the first accounting instance according to the purpose for which the instrument was acquired. The Group classifies its financial assets and liabilities in the following categories.

***Financial assets measured at fair value via the year's profit or loss*** include financial assets available for sale and financial assets that are classified to be recognised at fair value in the income statement. Financial derivatives recognised as assets and liabilities respectively are measured at fair value in the profit or loss. The result of the change in fair value of financial instruments in this category is included in the year's profit or loss for the period in which it arises. Assets in this category are classified as current assets if they are expected to be settled within 12 months. Otherwise, they are classified as non-current assets.

***Investments held to maturity*** are non-derivative financial assets with payments that are defined or can be established, and with fixed durations, which the Group intends to hold to maturity. ITAB has no financial assets classified in this category.

***Loans, trade receivables and accrued income*** are non-derivative financial assets with payments that are defined or can be established and that are not listed for trade on an active market. Receivables of this type normally arise when the Group pays cash to a counterparty or supplies a customer with goods or services without the intent of converting the receivable that arises. Loans and trade receivables are recognised at the amount that is expected to be received after deductions for doubtful receivables. All loans and trade receivables are appraised individually. The anticipated duration of a trade receivable is short, which is why the value is recognised at the nominal amount.

***Financial assets available for sale*** includes non-derivative financial assets that are either classified as available for sale or which have not been classified in any of the other categories. ITAB has no financial assets that fall under this category.

***Financial liabilities measured at fair value via the year's profit or loss,*** include financial liabilities that have initially been attributed to the relevant category. Changes in fair value of financial instruments are recognised in the income statement for the period in which they arise as financial income or financial expense. Financial derivatives recognised as assets and liabilities respectively are measured at fair value in the profit or loss.

***Other financial liabilities***

This category includes loans, other financial liabilities, accounts payable and accrued expenses. Liabilities are measured at accrued cost in accordance with the effective interest method.

A financial asset or financial liability is recognised in the balance sheet when the company is party to the instrument's contractual terms and conditions. Trade receivables are recognised in the balance sheet when the invoice has been sent and supplier invoices are recognised when the invoice has been received. The financial asset is eliminated from the balance sheet when the right to receive cash flow from the asset expires or is transferred to a third party by transferring all risks and benefits associated with the asset to the third party. A financial liability is eliminated from the balance sheet when the obligation has been fulfilled, revoked or expired.

The defining of boundaries between and recognition of current and non-current balance sheet items is consistently applied for all financial instruments. When settlement or disposal is expected to occur more than 12 months after the closing day, a financial asset is recognised as a non-current asset. Financial assets that are expected to be settled or disposed of within 12 months after the closing day are consequently classified as current assets. Financial liabilities that fall due later than 12 months after the closing day are recognised as non-current liabilities and those that fall due for payment within 12 months after the closing day are recognised as current liabilities.

***Hedging of net investments***

Investments in foreign subsidiaries (net assets including goodwill) have to a certain extent been hedged through loans in foreign currency. Exchange rate differences regarding borrowings are recognised as Other comprehensive income.

In addition to loans in foreign currencies, the Group uses currency swaps contracts to hedge net assets in foreign currencies. The fair value of the currency hedges are recognised against comprehensive income and reclassified as a financial gain or loss when the contract is terminated. ▶

***Derivative instruments – cash flow hedging***

The derivative instruments used for hedging projected interest expenses and forecasted cash flow in a foreign currency are recognised in the balance sheet at fair value. Any gain or loss is recognised in Other comprehensive income until the hedged flow is recognised in the income statement, at which time the hedged instruments' accumulated gain or loss is transferred to the year's profit or loss as "other gains/losses net".

**INVENTORIES**

Inventories are measured in accordance with the lowest value principle and the first-in-first-out (FIFO) method. This means that inventories are entered at the lowest cost according to the FIFO method and net selling value. For manufactured goods and work in progress, cost includes a reasonable portion of the indirect costs based on a normal capacity. Deductions are made for internal gains that arise through sales between companies in the Group.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprises cash in hand and bank balance.

**PROVISIONS**

A provision is recognised in the balance sheets when the company has a formal or informal commitment that is a consequence of an incident and it is probable that an outflow of resources will be required to regulate the commitment and a reliable estimate of the amount is possible.

**CONVERTIBLE DEBENTURE LOAN**

A convertible debenture loan is a combined financial instrument that is both liability and equity. In accordance with IAS 32, Accounting for Legal Entities, these are recognised divided into financial liability and equity instrument. This is achieved by deducting the fair value of the financial liability from that which was received when the convertible was issued. The fair value of the liability is estimated by discounting the future payment flows by what is deemed to be market interest for a similar liability. The expenses for issuing the convertible debenture are distributed proportionally in relation to the estimated value of the financial liability and the equity instrument.

**TRANSACTIONS WITH RELATED PARTIES**

Related companies are defined as those companies included in the Group as well as companies in which related physical persons have a controlling, joint controlling or significant influence. Related physical persons are defined as Board members, senior executives and close family members of such persons. Information about transactions with related parties is presented in Note 34.

**OPERATING SEGMENTS**

IFRS 8 requires companies to provide information about operating segments. An operating segment is, according to the definition in IFRS 8, a component of a company

(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same company)

(ii) whose operating results are reviewed regularly by the company's chief operating decision-maker as a basis for decisions about the allocation of resources to the segment and to assess its performance, and

(iii) for which discrete financial information is available.

Identification of the operating segments has been performed in four stages: identifying the company's chief operating decision-maker, identifying the business activities, determining whether discrete financial information is available for the business activities, and determining whether this information is reviewed regularly by the company's chief operating decision-maker. The definition according to IFRS 8 has thereafter been used to define the Group's operating segments. Because the operating results are not used as the basis for decisions about the allocation of resources to different parts of the company, there is only one operating segment in the Group. Refer also to Note 6.

**THE PARENT COMPANY'S ACCOUNTING PRINCIPLES**

The Parent Company has prepared its annual accounts in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation, RFR 2. The Swedish Financial Reporting Board's recommendations for listed companies have also been applied. The application of RFR 2 means that the Parent company, in the annual report for the legal entity, applies all IFRS and statements approved by the EU to the extent possible within the framework of the Annual Accounts Act, the Act on Safeguarding of Pension Commitments, and with respect to the correlation between accounting and taxation. The recommendation explains which exceptions and additions to IFRS should be applied. The accounting policies stipulated below for the Parent Company have been consistently applied for all periods as presented in the Parent Company's financial statements.

***Layout for income statement and balance sheet***

The financial statements include an income statement including comprehensive income, a balance sheet, a cash flow statement and a statement of changes in equity. The Parent Company uses the layouts specified in the Annual Accounts Act, which means for example that a different presentation of shareholders' equity is applied and that provisions are reported under a separate heading in the balance sheet. For the Parent Company, shareholders' equity is presented divided into unrestricted and restricted equity.

***Leasing***

In the Parent Company, all leasing agreements are presented according to the rules for operational leasing.

***Group contributions and shareholder contributions***

Group contributions are recognised according to RFR 2's alternative rule, which means that received and paid Group contributions are recognised as year-end appropriations in the income statement.

Shareholders' contribution is expensed directly against equity for the recipient and capitalised in shares and participations for the giver, to the extent impairment is not required.

***Taxes***

In the Parent company, untaxed reserves including deferred tax liabilities are recognised. In the consolidated statement, however, untaxed reserves are divided up into deferred tax liability and equity.

***Participations in subsidiaries***

Participations in subsidiaries and associated companies are recognised in the Parent Company according to the acquisition method. Dividends from subsidiaries are recognised as income. When dividends stem from gains earned before the acquisition, the item is to be tested for impairment.

## NOTE 3. IMPORTANT ESTIMATES AND ASSESSMENTS

The company management and the Board make assessments and assumptions about the future. These assessments and assumptions affect recognised assets and liabilities as well as other information that has been provided, including contingent liabilities. These assessments are based on historic experiences and the various assumptions that are deemed to be reasonable under the prevailing circumstances. Conclusions drawn in this way constitute the basis for decisions regarding the recognised values of assets and liabilities in those cases where these cannot be determined through other information. Actual results may deviate from these assessments if other assumptions are made or other conditions arise.

Areas that include assessments and assumptions that can have a significant effect on the Group's results and financial position include:

**IMPAIRMENT OF ASSETS**

The recognised values of the Group's assets, excluding inventories, assets available for sale and deferred tax assets, are tested to determine any requirement for impairment when an indicator of a reduction in value has been identified. Measurement of goodwill, other intangible assets with an indeterminable useful life and intangible assets in the form of capitalised development projects are to be tested for impairment at least once a year.

Impairment testing for other assets is tested in accordance with IAS 39, Financial Instruments – Recognition and Measurement, refer to section Financial instruments. An asset is written down if the recognised value exceeds its recoverable value, where the recoverable value is defined as the asset's net sales value or the value in use, whichever is the higher. To estimate the value in use, projected cash flows that the asset is expected to generate are discounted with an interest rate that corresponds to external assessors' estimated required return. If an asset cannot be tested for impairment separately, it must be allocated to the lowest possible common denominator where independent cash flows can be determined, known as a cash-generating unit, to test these together for impairment. In cases where the conditions for an impairment change, it is possible to reverse conducted impairments. Impairment losses are expensed to the income statement. The impairment of assets attributed to a cash-generating unit is initially distributed to goodwill. A proportional impairment of other assets included in the unit is then performed. See the section Intangible assets in Note 18.

The recognised value of inventories, assets available for sale and deferred tax assets is tested in accordance with the relevant standard. For information regarding cash-generating units and recognised value of goodwill and other intangible assets, refer to Note 18.

**DEFERRED TAX**

When preparing the financial reports, the company makes an estimate of the income tax for each tax jurisdiction where it has operations, as well as an estimate of deferred tax attributable to temporary differences. Deferred tax assets that are primarily attributable to temporary differences are recognised if the tax assets can be expected to be recovered through future taxable earnings. Changes in the assumptions of forecast future taxable earnings, as well as changes in tax rates, can result in significant differences in the valuation of deferred taxes. Refer also to Note 16.

**PENSIONS**

The company has pension plans subject to benefit taxation for some of its employees in certain countries. The calculation of the actual value of the pension liability is based on a number of actuarial assumptions such as discount rate, inflation, mortality assumptions, future pay increases, etc. Altered assumptions have a direct impact on the recognised pension liability. Refer also to Note 29.

## NOTE 4. FINANCIAL RISK MANAGEMENT

ITAB's risk management aims to identify, control, prevent and minimise the Group's risk picture. ITAB's financial risks are described below. For other business-related risks, see the Directors' Report on page 45.

The financial risks are managed by the finance policy adopted by the Board of Directors. Financial activities such as risk management, liquidity management and borrowing are handled centrally by the Parent Company. This allows the Group to optimise the financial risks and make use of economies of scale and synergy effects. The Group's financial risks are currency, interest, credit and liquidity risks.

**CURRENCY RISK**

ITAB Shop Concept is exposed to currency risks through its international business activities. These can be divided into transaction risks, risk when translating foreign subsidiaries' income statements and risk when translating foreign subsidiaries' balance sheets.

*Transaction risk*

Commercial payment flows that occur in a currency other than the respective subsidiary's local currency entail a transaction risk. To reduce currency exposure, attempts are made to match the inflow and outflow in different currencies by, for example, issuing invoices in the same currency in which purchases are made. In line with the finance policy, it is up to each individual Group company to decide on whether to hedge transaction exposure, which normally occurs with ITAB Shop Concept AB as the counterparty. External currency exposure hedging is thereafter performed by ITAB Shop Concept AB, with consideration for the Group's currency exposure. Hedging activities to reduce transaction exposure are classified as cash flow hedges. At the end of 2014, there were cash flow hedges of projected flows in EUR, GBP, USD and CZK. The fair value of the forward agreements used to hedge forecasted flows amounted to net SEK 6.9 million (-6.1). The year's change in fair value, SEK -12.9 million (-2.7) after tax, has been recognised in Comprehensive income. The recovered results of the forward agreements amounted to SEK -16.5 million (-19.1) before tax for 2014, which has been recognised as Other income in the income statement.

*Risks when translating the income statements of foreign subsidiaries*

The foreign subsidiaries' income statements are translated at the average exchange rate for the respective period. Given the invoicing and net earnings of 2014, a 5 per cent change in the Swedish krona exchange rate would affect invoicing by about SEK 154 million and net earnings by about SEK 12 million.

*Risks when translating the balance sheets of foreign subsidiaries*

The foreign subsidiaries' balance sheets are translated at the exchange rate on the closing day. The translation risks relate to exchange rate fluctuations that affect the value of the net foreign assets when translating to SEK. The value of net foreign assets amounted to SEK 609 million (527) on closing day. Investments in net foreign assets are partly financed by taking loans in foreign currencies, which reduces the translation risks. To reduce the net assets in foreign currencies and thereby reduce the currency risks, assets are financed locally in the foreign subsidiaries, in local currency, where it is commercially possible. Some financing is arranged via the Parent Company ITAB Shop Concept AB, however. In addition to loans in foreign currencies, the Group uses currency swaps contracts to hedge net assets in foreign currencies. The fair value of the currency hedges are recognised against comprehensive income and reclassified as a financial gain or loss when the contract is terminated and the results recovered. Recovered results from currency swap contracts amounted to SEK 0.2 million (5.9) before tax in 2014, recognised as financial expenses in the income statement. Exchange rate fluctuations in 2014 had an impact on the Group's comprehensive income in the amount of SEK 80.4 million (0.7). ▶

## CONT. NOTE 4. FINANCIAL RISK MANAGEMENT

At the close of 2014, the fair value of the currency swap contracts was estimated at SEK -1.8 million (3.4).

*The value of the Group's foreign net assets per currency:*

| Currency, SEK m | 31.12.2014 | 31.12.2013 |
|---|---|---|
| CNY | 266 | 188 |
| CZK | 56 | 109 |
| NOK | 138 | 92 |
| GBP | 143 | 85 |
| EUR (1) | -9 | 47 |
| USD (2) | 11 | -7 |
| Other | 4 | 13 |
| | 609 | 527 |

1) EUR refers also to currencies linked to EUR.
2) USD refers also to currencies linked to USD.

*Currency hedges*

At the close of the year, the Group had hedged the following net amount via currency swap contracts. The gross volumes are stated below per currency in the local currency (million) measured at nominal value.

| Currency | 31.12.2014 | 31.12.2013 |
|---|---|---|
| SEK | 186 | 177 |
| USD | 17 | 17 |
| CZK | 108 | 188 |
| GBP | -6 | -4 |
| EUR | -29 | -34 |

**INTEREST RISK**

The interest risk consists of interest rate changes having a negative impact on the Group's results through increased loan costs. The Group's interest-bearing net liability refers to borrowing excluding cash from banks, other credit institutions and convertible debenture loans, and amounted to SEK 880 million (890) on the closing day. SEK 520 million (530) is financed with variable interest. The remaining SEK 360 million (360) has an average fixed rate period of 48 (57) months. The average interest rate for outstanding interest-bearing liabilities was 3.29% (3.45) at year-end. A one percentage point increase in interest would affect net earnings by approximately SEK 4.0 million (3.9) annually.

**Derivative instruments**

| Interest swap agreement | Nom. amount (SEK million) 2014 | Nom. amount (SEK million) 2013 |
|---|---|---|
| Duration < 1 year | – | 22 |
| Duration 1-2 years | 24 | 22 |
| Duration 3-5 years | 213 | 203 |
| Duration 6-10 years | 123 | 113 |
| | 360 | 360 |

**LIQUIDITY RISK**

Liquidity risk refers to the risk that a company cannot borrow money to fulfil its obligations. ITAB Shop Concept strives to maintain a high level of financing readiness, for example by monitoring and managing the Group's combined capital financing centrally within the Parent Company. Most of the Group's borrowing is arranged through banks in each respective company's local currency. ITAB Shop Concept AB does lend some funds to subsidiaries at market conditions.

**CREDIT RISK**

Credit risk refers to the risk that the counterparty in a financial transaction is unable to fulfil its obligations. ITAB Shop Concept's credit risk lies almost exclusively in trade receivables. The Group has historically had low losses on trade receivables. The company's customers are primarily large, well-established companies with sound payment capacity distributed across several geographical markets. The risk of losses on trade receivables is handled through fixed routines for credit restrictions, reminder procedures and penalty interest invoicing. Credit insurance policies exist in conjunction with sales to customers in certain countries. The amount that best represents the maximum exposure to credit losses, without consideration for any security provisions and VAT, is the outstanding accounts receivable on the closing day of SEK 679 (565) million.

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Time analysis of trade receivables** | **Due** | **Not due** | **Total** | **Due** | **Not due** | **Total** |
| Trade receivables, not written down | | | | | | |
| less than 30 days old | 51.7 | 576.7 | 628.4 | 64.9 | 451.0 | 515.9 |
| 31-60 days old | 26.5 | - | 26.5 | 20.9 | - | 20.9 |
| more than 60 days old | 24.1 | - | 24.1 | 27.8 | - | 27.8 |
| Trade receivables written down | | | | | | |
| more than 60 days old | 8.8 | - | 8.8 | 18.4 | - | 18.4 |
| **TOTAL TRADE RECEIVABLES** | **111.1** | **576.7** | **687.8** | **132.0** | **451.0** | **583.0** |
| Deduction for reserves | -8.8 | - | -8.8 | -18.4 | - | -18.4 |
| **CARRYING AMOUNT TRADE RECEIVABLES** | **102.3** | **576.7** | **679.0** | **113.6** | **451.0** | **564.6** |

*The receivable is reserved as doubtful in the case of a suspected bad debt loss. The appraisal is individual and performed on a case-by-case basis.*

## NOTE 5. BUSINESS ACQUISITIONS AND DIVESTMENTS

Information on purchase sums and acquired/divested net assets:

| Purchase price | 2014 | 2013 |
|---|---|---|
| Total purchase sum excluding acquisition expenses: | 91.7 | 3.2 |
| of which unpaid purchase sum during the year | 2.1 | 3.2 |

Expenses in conjunction with acquisitions are recognised as costs.

**ACQUISITIONS IN 2014**

During the fourth quarter of 2014, via subsidiaries, ITAB acquired the net assets in the bankrupt estates of New Store Europe Norway, Sweden and the Netherlands. ITAB Shop Concept AB also acquired the company New Store Europe Denmark, which subsequently changed its name to ITAB Shop Concept A/S. These companies focus primarily on concept sales to the non-food segment on the Nordic and Dutch markets. The acquisitions are in line with the Group's continued focus on complete store concepts and are further strengthening ITAB's market position. None of these acquisitions is significant on its own, which is why they are reported jointly in the summary below.

At the end of the year, via subsidiaries, the assets and liabilities of Eurolys Norway were acquired, as well as 100% of the company Profile Lighting Services Ltd in the UK and 51% of the company Reklamepartner AS in Norway. Eurolys and Profile Lighting sell lighting products to the retail sector, while Reklamepartner produces and sells in-store communication to the Norwegian retail sector. None of these acquisitions is significant on its own, which is why they are reported jointly in the summary below.

At the start of 2015, ITAB acquired JPD in Latvia. For more information, see Note 35.

**ACQUISITIONS IN 2013**

All the shares in the newly started company Ingebrigtsvoll Lys AS in Norway were acquired during 2013. The company subsequently changed its name to ITAB Prolight AS. ITAB Prolight AS sells lighting products on the Norwegian market. The acquisition was incorporated as of 1 August 2013.

**DIVESTMENTS IN 2014 AND 2013**

During 2014, only dormant companies have been wound-up. No other divestments were made in 2014 or 2013.

**EFFECT OF ACQUISITIONS IN 2014**

The total value of assets and liabilities acquired in 2014, purchase sums and the impact on the Group's liquid assets are presented below.

Expenses in conjunction with these acquisitions are listed under cost of goods sold as well as sales and administration costs. Acquisition-related income is included as other operating income. The acquisitions during the year have had a positive impact on the income statement of net SEK 15 million.

| Acquisition of New Store Europe Total [1] | Fair value |
|---|---|
| Non-current assets | 25.9 |
| Current assets | 139.6 |
| Non-current liabilities | -13.3 |
| Current liabilities | -50.0 |
| **Net identifiable assets and liabilities** | **102.2** |
| Positive impact on profit from acquisitions in equity | -43.4 |
| **Purchase price** | 58.8 |
| Cash and cash equivalents in the acquired companies | 0.0 |
| **Impact for the year on the Group's cash and cash equivalents** | **58.8** |

| Other acquisitions, total [1] | Fair value |
|---|---|
| Non-current assets | 10.3 |
| Current assets | 46.1 |
| Holding without controlling influence | -4.1 |
| Non-current liabilities | -6.6 |
| Current liabilities | -32.1 |
| **Net identifiable assets and liabilities** | **13.6** |
| Group goodwill | 19.4 |
| **Purchase price** | 33.0 |
| Expensed unpaid purchase sum, Profile Lighting Services Ltd | -2.1 |
| Cash and cash equivalents in the acquired companies | -1.2 |
| **Impact for the year on the Group's cash and cash equivalents** | **29.7** |

| | |
|---|---|
| **Total impact on the Group's cash and cash equivalents from the year's acquisitions** | **88.5** |
| Additional purchase sum from previous year's acquisition of ITAB Prolight AS | 0.3 |
| Additional purchase sum from previous year's acquisition of Prolight Försäljnings AB | 2.8 |
| **Impact for the year on the Group's cash and cash equivalents** | **91.6** |

**Effect of acquisitions in 2013**

The total value of assets and liabilities acquired in 2013, purchase sums and the impact on the Group's liquid assets were:

| Acquired values – ITAB Prolight AS [1] | |
|---|---|
| Current assets | 0.0 |
| Current liabilities | 0.0 |
| **Net identifiable assets and liabilities** | **0.0** |
| Group goodwill [2] | 3.2 |
| **Purchase sum incl. estimated conditional purchase sum** | **3.2** |
| Estimated additional purchase sum, ITAB Prolight AS[3] | -3.2 |
| Cash and cash equivalents in the acquired company | - |
| **Impact on the Group's cash and cash equivalents from the year's acquisitions** | 0.0 |
| Additional purchase sum from previous years' acquisitions in Prolight Försäljnings AB | 3.2 |
| **Impact for the year on the Group's cash and cash equivalents** | **3.2** |

*1) Exchange rate in relation to SEK at each acquisition:*
*2014 New Store Europe: NOK 1.1182, DKK 1.2336, EUR 9.2364*
*Eurolys: NOK 1.0959*
*Profile: GBP 11.7569*
*Reklamepartner: NOK 1.0714*
*2013 ITAB Prolight AS NOK 1.0714*

*2) Goodwill:*
*Goodwill comprises primarily synergy effects in product supply, staff, know-how, effective organisation, customer contacts of strategic significance, and a market leading position in select markets.*

*3) Conditional purchase sum:*
*The agreed conditional additional purchase sum in ITAB Prolight AS is attributable to the earnings trend over the next five years. The total conditional purchase sum can amount to max. SEK 3.2 million.*

## NOTE 6. BUSINESS AND GEOGRAPHIC AREAS

The ITAB Group comprises of some forty operating companies that sell, develop, produce and distribute shop fittings and equipment to chain-based customers. The largest customer accounts for 16% of external sales, although none of the ITAB Group's other customers account for more than 10 per cent of external sales.

Most of ITAB's customers are major chain stores that operate internationally and have stores in several countries. Several of the Group's companies are involved in most business deals. Because sales largely involve different customised shop concepts, customer sales are often conducted with resources from several Group companies in order to fulfil the customer's various needs in the best possible way. Development and production of the different shop concept segments is carried out by different Group companies depending on where the best conditions exist.

The business model means that a large portion of the decisions that affect the Group's different companies are taken centrally. Because the necessary information regarding sales per product or product group is not available since the greatest proportion of sales take the form of concept sales, with a mix of several products and services, ITAB performs no division between product groups. These circumstances mean that operating profit or loss is not used as a basis for deciding on the allocation of resources to different parts of the company, and that ITAB makes no allocation according to operating segment or business segments. See also section "Business activities", pages 14-33.

**PROPERTY, PLANT AND EQUIPMENT**

| The Group | 2014 | 2013 |
|---|---|---|
| Czech Republic | 129.7 | 135.9 |
| UK | 66.9 | 52.0 |
| Sweden | 62.1 | 53.9 |
| Norway | 58.0 | 55.6 |
| Germany | 48.5 | 50.2 |
| Finland | 45.6 | 46.9 |
| Belgium | 42.5 | 44.4 |
| China | 36.4 | 29.6 |
| Lithuania | 25.6 | 24.8 |
| The Netherlands | 19.3 | 4.3 |
| Other | 11.8 | 3.1 |
| | **546.4** | **500.7** |

**EXTERNAL NET SALES** [1]

| The Group | 2014 | 2013 |
|---|---|---|
| UK | 1,015.5 | 984.4 |
| Sweden | 527.4 | 546.2 |
| Norway | 517.0 | 425.4 |
| Germany | 277.7 | 261.0 |
| China | 195.3 | 119.2 |
| North America | 176.0 | 67.6 |
| Finland | 136.4 | 142.1 |
| Poland | 104.6 | 88.4 |
| Denmark | 95.5 | 85.4 |
| The Netherlands | 90.4 | 103.5 |
| Czech Republic | 77.5 | 49.0 |
| Russia | 70.7 | 88.9 |
| France | 68.8 | 50.9 |
| Belgium | 68.1 | 74.9 |
| Lithuania | 51.6 | 46.4 |
| Other | 465.1 | 440.7 |
| | **3,937.6** | **3,574.0** |

*1) The allocation basis for deciding the country for external sales is the country where the product is delivered and/or service is performed.*

## NOTE 7. PURCHASES AND SALES BETWEEN PARENT COMPANY AND SUBSIDIARIES

Of the Parent Company's invoiced sales, 100 per cent consisted of invoicing to subsidiaries.

Purchases from subsidiary companies relate primarily to IT, design and administration services. No goods were purchased from subsidiaries.

Income from participations in subsidiaries as well as financial income and expenses from Group companies are presented in Notes 13 and 14 respectively.

| Parent Company | 2014 | 2013 |
|---|---|---|
| Sales of services to subsidiaries | 41.4 | 34.6 |
| Purchase of services from subsidiaries | -2.1 | -2.0 |

## NOTE 8. PERSONNEL AND SENIOR EXECUTIVES

| Average number of employees | | 2014 | of which men | 2013 | of which men |
|---|---|---|---|---|---|
| Parent Company | Sweden | 13 | 62% | 13 | 54% |
| Subsidiaries | Belgium | 78 | 88% | 75 | 88% |
| | Chile | 1 | 100% | 1 | 100% |
| | Denmark | 18 | 78% | 10 | 60% |
| | Estonia | 3 | 100% | 3 | 100% |
| | Finland | 79 | 71% | 78 | 73% |
| | The Netherlands | 58 | 90% | 67 | 82% |
| | India | 1 | 100% | - | - |
| | China | 757 | 39% | 699 | 40% |
| | Latvia | 30 | 83% | 28 | 86% |
| | Lithuania | 126 | 87% | 114 | 82% |
| | Norway | 140 | 79% | 131 | 79% |
| | Poland | 11 | 73% | 11 | 64% |
| | Russia | 15 | 53% | 14 | 71% |
| | UK | 292 | 81% | 286 | 80% |
| | Sweden | 379 | 75% | 352 | 76% |
| | Czech Republic | 275 | 73% | 245 | 76% |
| | Germany | 155 | 82% | 143 | 83% |
| | Ukraine | 3 | 67% | 3 | 67% |
| | Hungary | 2 | 50% | - | - |
| | USA | 5 | 20% | 4 | 25% |
| **TOTAL IN SUBSIDIARIES** | | **2,428** | **66%** | **2,264** | **68%** |
| **THE GROUP TOTAL** | | **2,441** | **66%** | **2,277** | **68%** |

| Salaries, other remuneration and social security expenses<br>(SEK m) | 2014<br>Salaries and remuneration | 2014<br>Social security expenses | 2013<br>Salaries and remuneration | 2013<br>Social security expenses |
|---|---|---|---|---|
| Parent Company | 17.4 | 10.8 | 16.0 | 10.0 |
| *(of which pension costs)[1)]* | | *4.4* | | *4.0* |
| Subsidiaries | 632.4 | 147.2 | 561.0 | 135.3 |
| *(of which pension costs)* | | *33.9* | | *29.8* |
| **GROUP TOTAL** | **649.8** | **158.0** | **577.0** | **145.3** |
| *(of which pension costs)[2)]* | | *38.3* | | *33.8* |

*1) Of the parent company's pension costs, SEK 0.9 million (0.7) pertains to the Board and CEO. The company's outstanding pension commitments to these persons amount to SEK 0 million (0).*
*2) Of the Group's pension costs, SEK 4.7 million (6.1) pertains to the Board and CEO. The Group's outstanding pension commitments to these persons amount to SEK 0.1 million (0).*

| Salaries and other remuneration divided per country and between Board members/CEO and other employees | 2014<br>Board of Directors and CEO | 2014<br>Other employees | 2013<br>Board of Directors and CEO | 2013<br>Other employees |
|---|---|---|---|---|
| **PARENT COMPANY SWEDEN** | **5.1** | **12.3** | **4.3** | **11.7** |
| *(of which bonuses)* | *0.6* | | *0.1* | |
| **SUBSIDIARIES IN SWEDEN** | **9.5** | **137.8** | **7.7** | **125.0** |
| **SUBSIDIARIES, OTHERS** | | | | |
| Belgium | 1.5 | 25.9 | 1.1 | 24.7 |
| Chile | 0.4 | - | 0.2 | - |
| Denmark | 2.0 | 10.5 | 1.5 | 6.0 |
| Estonia | - | 0.6 | - | 0.4 |
| Finland | 2.6 | 27.9 | 2.2 | 25.6 |
| The Netherlands | 2.2 | 23.1 | 1.7 | 23.8 |
| India | 0.2 | - | - | - |
| China | 0.4 | 41.8 | 0.3 | 33.5 |
| Latvia | 0.7 | 7.6 | 0.5 | 4.5 |
| Lithuania | 0.5 | 14.6 | 0.5 | 11.2 |
| Norway | 4.7 | 102.2 | 4.4 | 87.4 |
| Poland | 0.6 | 3.7 | 0.5 | 2.6 |
| Russia | 0.5 | 2.8 | 0.6 | 2.1 |
| UK | 2.0 | 116.5 | 1.7 | 104.3 |
| Czech Republic | 2.0 | 25.9 | 1.5 | 32.6 |
| Germany | 3.7 | 54.9 | 3.4 | 47.6 |
| Hungary | - | 0.3 | - | - |
| Ukraine | - | 0.8 | - | 0.5 |
| USA | - | 2.0 | - | 1.5 |
| **SUBSIDIARIES TOTAL** | **33.5** | **598.9** | **27.8** | **533.3** |
| *(of which bonuses)* | *3.2* | - | *1.6* | - |
| **GROUP TOTAL** | **38.6** | **611.2** | **32.1** | **545.0** |
| *(of which bonuses)* | *3.8* | - | *1.7* | - |

## REMUNERATION TO SENIOR EXECUTIVES

***The Board's fees***

ITAB's Board of Directors comprises seven members (see also the presentation of the Board on page 82). In accordance with the resolution at the 2014 AGM, the fee to the elected Board members amounts to a total of SEK 1,200 thousand, with SEK 300 thousand to the Chairman of the Board and SEK 150 thousand to each of the other six Board members. During 2014, the Chairman has carried out consultancy assignments for the company to the value of SEK 909 thousand. In addition, select Board members received a fee for their work in the Remuneration Committee and the Audit Committee totalling SEK 100 thousand per committee. Besides these fees, ITAB has paid no other remuneration to Board members.

***Principles for remuneration to senior executives***

Principles for remuneration to senior executives are determined by the Board of Directors based on the guidelines for terms of remuneration adopted by the AGM. The purpose is to offer a market-related remuneration package that enables the company to recruit and retain senior executives.

Remuneration to Group management comprises of the following:

1. Basic salary
2. Variable result-based salary
3. Pension

Remuneration to Group management is to be market-rate in relation to position, individual qualifications and performance. The variable salary for senior executives is founded on improvements based on the budgeted Group earnings for a maximum three months' salary.

Pension is covered by a premium-based pension system. The CEO and other senior executives are covered by a defined-contribution pension system that corresponds to the ITP plan for pension insurance.

Remuneration is reviewed annually by the Board's Remuneration Committee. The Remuneration Committee consists of Thord Johansson, Lottie Svedenstedt, Sune Lantz and the CEO as additional member. The CEO is not present when issues regarding remuneration to the CEO are handled.

***Other terms and conditions for the CEO and other senior executives***

The reciprocal period of notice between the company and CEO is six months. In the event of notice from the company's side, a severance payment corresponding to 18 months' salary will be paid. Severance pay is offset against other income. No severance pay will be paid in the event of notice from the CEO.

The reciprocal period of notice between the company and other senior executives is six months. In the event of notice from the company's side, a severance payment corresponding to six months' salary will be paid. Severance pay is offset against other income. No severance pay will be paid in the event of notice being given by the executive.

▶

## CONT. NOTE 8. PERSONNEL AND SENIOR EXECUTIVES

| Remuneration to senior executives | Basic salary | Variable salary | Other remunerations[1)] | Total salary and fees[2)] | Pension costs | Total incl. pension |
|---|---|---|---|---|---|---|
| CEO | 3.1 | 0.6 | 0.1 | 3.9 | 0.9 | 4.8 |
| Other senior executives in Group management (2 executives) | 3.7 | 0.8 | 0.3 | 4.7 | 1.0 | 5.7 |
| **TOTAL** | **6.8** | **1.4** | **0.4** | **8.6** | **1.9** | **10.5** |

*1) Other remunerations refer to taxable benefits for cars, newspapers, etc.*
*2) Salary and fees are presented above less employers' contribution. Pension costs are presented less special payroll tax.*

**Gender distribution of Board members/senior executives**

| The Group | 2014 Proportion women | 2014 Proportion men | 2013 Proportion women | 2013 Proportion men |
|---|---|---|---|---|
| Board members | 9% | 91% | 9% | 91% |
| Senior executives | 13% | 87% | 18% | 82% |
| **Parent Company** | | | | |
| Board members | 29% | 71% | 33% | 67% |
| Senior executives | 0% | 100% | 0% | 100% |

**Personnel expenses distributed per function**

| The Group | 2014 | 2013 |
|---|---|---|
| Cost of goods sold | -447.8 | -397.6 |
| Selling expenses | -274.7 | -254.4 |
| Administrative expenses | -108.3 | -89.6 |
| | **-830.8** | **-741.6** |
| **Parent Company** | | |
| Cost of goods sold | -4.6 | -4.5 |
| Selling expenses | -9.8 | -9.5 |
| Administrative expenses | -11.3 | -10.9 |
| | **-25.7** | **-24.9** |

## NOTE 9. REMUNERATION TO AUDITORS

Shown below are the fees for audit assignments and other assignments that are expensed during the year. An audit assignment refers to reviewing the annual accounts and the accounting records, as well as the management of the Board of Directors and the CEO. All else falls under other assignments. The audit was mainly performed by Ernst & Young AB (EY).

| | THE GROUP | | THE GROUP | | PARENT COMPANY | |
|---|---|---|---|---|---|---|
| | 2014 Fees to EY | 2014 Fees to other auditors | 2013 Fees to EY | 2013 Fee to other auditors | 2014 Fees to EY | 2013 Fees to EY |
| Audit assignments | 3.1 | 1.1 | 2.8 | 0.7 | 0.4 | 0.4 |
| Audit activities other than audits | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 |
| Tax consultancy | 1.2 | 0.5 | 1.0 | 0.1 | 0.1 | 0.1 |
| Other services | 0.2 | 0.1 | 0.7 | 0.2 | 0.1 | 0.4 |
| | **4.5** | **1.9** | **4.7** | **1.0** | **0.6** | **0.9** |

## NOTE 10. DEPRECIATION AND AMORTISATION

**Depreciation and amortisation divided per function**

| The Group | 2014 | 2013 |
|---|---|---|
| Cost of goods sold | -67.5 | -61.9 |
| Selling expenses | -8.5 | -8.1 |
| Administrative expenses | -7.2 | -7.3 |
| | **-83.2** | **-77.3** |
| **Parent Company** | | |
| Administrative expenses | -0.4 | -0.4 |

**Depreciation and amortisation divided per asset type**

| The Group | 2014 | 2013 |
|---|---|---|
| Balanced development expenses | -4.8 | -3.6 |
| Patents and other intellectual property rights | -2.0 | -1.9 |
| Buildings | -12.1 | -12.7 |
| Plant and machinery | -40.4 | -37.8 |
| Equipment, tools and installations | -23.9 | -21.3 |
| | **-83.2** | **-77.3** |
| **Parent Company** | | |
| Equipment | -0.4 | -0.4 |

## NOTE 11. COSTS DIVIDED BY COST TYPE

Cost of goods sold, sales costs and administration costs divided by cost type:

| The Group | 2014 | 2013 |
|---|---|---|
| Costs for direct materials | -1,747.7 | -1,653.2 |
| Personnel costs | -830.8 | -741.6 |
| Depreciation and impairment | -83.2 | -77.3 |
| Other expenses | -967.6 | -846.6 |
| | **-3,629.3** | **-3,318.7** |

| Parent Company | | |
|---|---|---|
| Personnel costs | -25.7 | -24.9 |
| Depreciation and impairment | -0.4 | -0.4 |
| Other expenses | -30.8 | -16.9 |
| | **-56.9** | **-42.2** |

## NOTE 12. OTHER OPERATING INCOME AND EXPENSES

**Other operating income**

| The Group | 2014 | 2013 |
|---|---|---|
| Operation's exchange rate differences | 11.4 | 11.1 |
| Impact on profit from acquired companies and assets 1) | 42.6 | - |
| Capital gain on sale of non-current assets | 0.4 | 0.1 |
| Other | 3.0 | 10.9 |
| | **57.4** | **22.1** |

| Parent Company | | |
|---|---|---|
| Operation's exchange rate differences | 14.3 | 4.6 |
| | **14.3** | **4.6** |

*1) The item Other operating income includes a positive impact on profit from acquisitions totalling SEK 42.6 million.*
*Costs in conjunction with these acquisitions are also listed under cost of goods sold as well as sales and administration costs. The net effect of acquisition-related income and expenses totals SEK 15 million.*

**Other operating expenses**

| The Group | 2014 | 2013 |
|---|---|---|
| Operation's exchange rate differences | -29.4 | -21.7 |
| Provision for restructuring reserve | -3.9 | - |
| Capital loss on sale of non-current assets | -0.4 | -0.2 |
| Other | -6.6 | -9.7 |
| | **-40.3** | **-31.6** |

| Parent Company | | |
|---|---|---|
| Operation's exchange rate differences | -23.5 | -19.9 |
| Capital loss on sale of non-current assets | 0.0 | -0.2 |
| | **-23.5** | **-20.1** |

## NOTE 13. PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2014 | 2013 |
|---|---|---|
| Dividends received | 113.4 | 52.0 |
| Impairment of long-term claims in subsidiaries 1) | -0.7 | - |
| Impairment of shares in subsidiaries 1) | -0.3 | -4.8 |
| | **112.4** | **47.2** |

*1) For 2014, the impairment relates to the receivable in the Group company Novena Ukraina as well as the impairment of shares in the subsidiary ITAB Ukraine LCC in Ukraine, and for 2013 the impairment relates to shares in ITAB Holding BV, in the Netherlands.*

## NOTE 14. FINANCIAL INCOME AND EXPENSES

**Financial income**

| The Group | 2014 | 2013 |
|---|---|---|
| Interest income | 1.5 | 1.2 |
| Result from participations in Group companies | 1.4 | 0.1 |
| Exchange rate differences | - | 3.3 |
| | **2.9** | **4.6** |

| Parent Company | | |
|---|---|---|
| Interest income, Group companies | 7.4 | 7.4 |
| Interest income, others | 1.8 | 1.1 |
| Exchange rate differences | - | 14.3 |
| | **9.2** | **22.8** |

**Financial expenses**

| The Group | | |
|---|---|---|
| Interest expenses 1) | -31.1 | -32.3 |
| Exchange rate differences | -7.6 | - |
| Other financial expenses | -1.5 | -1.0 |
| | **-40.2** | **-33.3** |

| Parent Company | | |
|---|---|---|
| Interest expenses, Group companies | -0.7 | -0.5 |
| Interest expenses, others | -25.1 | -27.0 |
| Exchange rate differences | -68.9 | - |
| Other financial expenses | -0.1 | -0.1 |
| | **-94.8** | **-27.6** |

*1) This includes profit from interest rate swaps reversed from other comprehensive income amounting to SEK -0.6 million (-1.2)*

## NOTE 15. YEAR-END APPROPRIATIONS

| Parent Company | 2014 | 2013 |
|---|---|---|
| Changes in excess depreciation | 0.0 | 0.0 |
| Received Group contributions | 77.8 | 70.2 |
| Group contributions paid | -22.1 | -35.9 |
| | **55.7** | **34.3** |

# NOTE 16. TAXES

| The Group | 2014 | 2013 |
|---|---|---|
| *Current tax expenses* | | |
| Tax expenses for the period | -91.0 | -58.4 |
| Adjustment of tax attributable to previous years | -0.4 | -12.7 |
| | **-91.4** | **-71.1** |
| *Deferred tax expenses (-)/tax income (+)* | | |
| Deferred tax attributable to temporary differences | 3.6 | 3.3 |
| Deferred tax attributable to previous years | 0.8 | 9.2 |
| Deferred tax attributable to losses carried forward | 16.7 | 3.7 |
| Deferred tax as a result of changes in tax rates | 0.0 | 0.0 |
| | **21.1** | **16.2** |
| **TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT** | **-70.3** | **-54.9** |

| Parent Company | | |
|---|---|---|
| Current tax for the period | -0.2 | -0.2 |
| Deferred tax attributable to losses carried forward | 11.9 | -1.3 |
| **TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT** | **11.7** | **-1.5** |

**Difference between Swedish income tax rate and the effective tax rate**

| The Group | 2014 | 2014 | 2013 | 2013 |
|---|---|---|---|---|
| Reported income before tax | 288.1 | | 217.1 | |
| Tax at Swedish income tax rate | -63.4 | -22,0% | -47.8 | -22,0% |
| *Tax effect of* | | | | |
| Adjustment of previous year's tax | 0.4 | 0,2% | -3.5 | -1,6% |
| Other tax rates for foreign subsidiaries | -6.0 | -2,1% | -2.9 | -1,4% |
| Deductible temporary differences | 0.7 | 0,2% | 2.4 | 1,1% |
| Losses carried forward | -0.3 | -0,1% | -2.3 | -1,1% |
| Altered tax rates | -0.0 | 0,0% | -0.1 | 0,0% |
| Non-taxable income and non-deductible expenses | -1.7 | -0,6% | -0.7 | -0,3% |
| **RECOGNISED TAX EXPENSE** | **-70.3** | **-24,4%** | **-54.9** | **-25,3%** |

| Tax items recognised in other comprehensive income | 2014 | 2013 |
|---|---|---|
| Deferred tax on cash flow hedges | -1.6 | -1.1 |
| Deferred tax on hedging of net investments | 1.5 | 1.6 |
| Deferred tax on pension obligations | 0.9 | 0.6 |
| | **0.8** | **1.1** |

| Changes in deferred tax<br>The Group | 2014 | 2013 |
|---|---|---|
| At the start of the year | -24.3 | -42.4 |
| Acquisitions | 1.5 | - |
| Items recognised in other comprehensive income | 0.8 | 1.1 |
| Translation differences | -0.8 | 0.8 |
| Recognised in profit for the year | 21.1 | 16.2 |
| **AT THE CLOSE OF THE YEAR** | **-1.7** | **-24.3** |

**The deferred tax assets and liabilities recognised in the balance sheet are attributed to:**

| The Group | Receivables 2014 | Receivables 2013 | Liabilities 2014 | Liabilities 2013 |
|---|---|---|---|---|
| Non-current assets | 1.5 | 0.9 | 23.8 | 23.0 |
| Inventories | 8.9 | 7.7 | 1.8 | - |
| Current receivables | 0.8 | 0.1 | - | - |
| Provisions for pensions and similar obligations | 1.4 | 0.9 | - | - |
| Losses carried forward [1)] | 31.9 | 14.7 | - | - |
| Untaxed reserves | - | - | 22.1 | 24.8 |
| Other | 2.4 | 0.7 | 0.8 | 1.5 |
| | **46.9** | **25.0** | **48.5** | **49.3** |

*1) Of the deferred tax assets for losses carried forward recognised in the balance sheet, there is a losses carried forward of SEK 29.9 million, the utilisation of which is subject to time restrictions. Of this, SEK 0.5 million matures in 2018, SEK 8.8 million matures in 2022, SEK 14.4 million matures in 2023 and SEK 6.2 million matures in 2024. The Group has a losses carried forward equivalent to SEK 23.6 million, which is not recognised as a deferred tax claim as it is not deemed that this can be used within the next few years. There are no time restrictions for this losses carried forward, however.*

| Parent Company | 2014 Receivables | 2013 Receivables |
|---|---|---|
| Deficit deductions | 13.1 | 1.2 |
| | **13.1** | **1.2** |

## NOTE 17. EARNINGS PER SHARE

| The Group | 2014 | 2013 |
|---|---|---|
| *Earnings per share before dilution* | | |
| Net profit for the period that is attributable to the Parent Company's shareholders, SEK m | 204.3 | 152.3 |
| Average number of outstanding ordinary shares | 33,906,410 | 33,906,410 |
| **EARNINGS PER SHARE BEFORE DILUTION, SEK PER SHARE** | **6,03** | **4,49** |
| *Earnings per share after dilution* | | |
| Net profit for the period that is attributable to the Parent Company's shareholders, SEK m | 204.3 | 152.3 |
| Net interest expenses on convertible debentures, SEK m | 1.4 | 1.2 |
| **Adjusted profit, SEK m** | **205.7** | **153.5** |
| Number of outstanding shares as per the closing day | 33,906,410 | 33,906,410 |
| Adjustment for assumed conversion of convertible debentures | 851,074 | 650,406 |
| **Number of shares after dilution** | **34,757,484** | **34,556,816** |
| **EARNINGS PER SHARE AFTER DILUTION, SEK PER SHARE** | **5,92** | **4,44** |

## NOTE 18. INTANGIBLE ASSETS

| 2014 Group | Balanced development expenses | Patents and other intellectual property rights | Goodwill | TOTAL |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 105.9 | 21.2 | 502.6 | 629.7 |
| Acquisitions, subsidiaries[1] | - | - | 19.4 | 19.4 |
| New additions | 20.7 | 0.5 | - | 21.2 |
| Translation differences for the year | - | 1.2 | 29.4 | 30.6 |
| | **126.6** | **22.9** | **551.4** | **700.9** |
| *Accumulated amortisations according to plan* | | | | |
| At the start of the year | -10.0 | -7.0 | - | -17.0 |
| Amortisations for the year | -4.8 | -2.0 | - | -6.8 |
| Translation differences for the year | - | -0.6 | - | -0.6 |
| | **-14.8** | **-9.6** | **-** | **-24.4** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **111.8** | **13.3** | **551.4** | **676.5** |

| 2013 Group | Balanced development expenses | Patents and other intellectual property rights | Goodwill | TOTAL |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 80.5 | 20.2 | 494.0 | 594.7 |
| Acquisitions, subsidiaries[1] | - | - | 3.2 | 3.2 |
| New additions | 25.4 | 0.6 | - | 26.0 |
| Translation differences for the year | - | 0.4 | 5.4 | 5.8 |
| | **105.9** | **21.2** | **502.6** | **629.7** |
| *Accumulated amortisations* | | | | |
| At the start of the year | -6.4 | -4.9 | - | -11.3 |
| Amortisations for the year | -3.6 | -1.9 | - | -5.5 |
| Translation differences for the year | - | -0.2 | - | -0.2 |
| | **-10.0** | **-7.0** | **-** | **-17.0** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **95.9** | **14.2** | **502.6** | **612.7** |

*1) Acquisition of subsidiaries, see Note 5.*

Balanced expenditure for development work primarily comprises internally generated, capitalised costs for the development of checkouts. Other intellectual property rights primarily consist of patents. The amortisation of intangible assets excluding goodwill is recognised in the income statement over the estimated useful lives of the assets. Depreciation commences from the date the asset is available for use. Estimated useful lives are tested every year.

The Group's goodwill constitutes primarily synergy effects in product supply, staff, know-how, effective organisation, customer contacts of strategic significance, and a market leading position in select markets.

**IMPAIRMENT TESTING FOR GOODWILL**

The Group assesses goodwill for impairment goodwill annually, or more often if there are any indications of impairment, in accordance with the accounting principles described in Note 2. No distribution of the Group's goodwill has been performed because all Group companies' activities and their cash inflow are to a great extent dependent on each other.

The recoverable value for this unit has been determined based on the value in use, which consists of the present value of the estimated projected cash flow. The estimate of projected cash flow is based on an assessment of expected growth in accordance with prepared forecasts for the coming four years. The forecasts are based on experience from previous years, but with consideration for future expected developments. Market shares are expected to increase marginally in the forecast period. Average growth in the organisation is deemed according to the forecast to reach 6% (6%) per year during the coming four years. The cash flows beyond this four-year period have been extrapolated with the aid of an estimated rate of growth of 2% (2%) per year, which corresponds to estimated long-term inflation. The assumption of projected growth is the most important assumption and is based on external assessments of the market's growth, past trends and the management's assessment of market shares. ▶

## CONT. NOTE 18. INTANGIBLE ASSETS

The margins in the business are an estimate that also has an impact on testing. The gross profit margins are assumed to reach the same level as the outcome for 2014. The forecast cash flows have been converted to present value using a discount rate of 10.16% (10.23%) before tax, which corresponds to 8.0% (8.0%) after tax.

The discount factor, WACC, has been determined through the capital asset pricing model (CAPM). As a part of the discount factor, a risk-free rate of interest corresponding to ten-year government bonds is used, with an addition for the equity market's average risk premium and an addition for risk premiums for small companies. Required return is also affected by the debt/equity ratio at optimal capital structure. From a historical perspective, the risk-free interest can be deemed to be low, which has been taken into consideration in the calculation. The risk premium for small companies has fallen slightly, which produces a somewhat lower outcome from the discount rate before tax compared to 2013.

The recoverable value exceeds the recognised value by a significant amount, so there is no need for impairment.

In order to support the impairment assessment that has been performed for goodwill within the Group, an overall assessment has been performed of the sensitivity of the variables used in the model. If the sustainable rate of growth is set at 0% or EBITDA is lowered by two percentage points, there is still no indication of an impairment need.

## NOTE 19. PROPERTY, PLANT AND EQUIPMENT

| **2014 Group** | **Buildings** | **Machinery** | **Equipment** | **Construction in progress** | **Total** |
|---|---|---|---|---|---|
| *Accumulated acquisition values* | | | | | |
| At the start of the year | 463.2 | 619.0 | 306.0 | 2.2 | 1,390.4 |
| Acquisitions, subsidiaries | 0.0 | 30.3 | 14.3 | 0.0 | 44.6 |
| Additions | 1.5 | 34.9 | 23.5 | 1.1 | 61.0 |
| Sales and disposals | 0.0 | -4.6 | -11.8 | - | -16.4 |
| Reclassifications | 0.0 | 0.5 | 1.0 | -1.5 | 0.0 |
| Translation differences for the year | 28.2 | 34.2 | 18.4 | 0.0 | 80.8 |
| | **492.9** | **714.3** | **351.4** | **1.8** | **1,560.4** |
| *Accumulated depreciation according to plan* | | | | | |
| At the start of the year | -190.1 | -453.0 | -246.6 | - | -889.7 |
| Acquisitions, subsidiaries | 0.0 | -4.9 | -6.1 | - | -11.0 |
| Sales and disposals | 0.0 | 4.1 | 9.9 | - | 14.0 |
| Reclassifications | -1.1 | 0.6 | 0.5 | - | 0.0 |
| Depreciation according to plan for the year | -12.1 | -40.4 | -23.9 | - | -76.4 |
| Translation differences for the year | -11.2 | -23.6 | -16.1 | - | -50.9 |
| | **-214.5** | **-517.2** | **-282.3** | **-** | **-1,014.0** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **278.4** | **197.1** | **69.1** | **1.8** | **546.4** |

| **2013 Group** | | | | | |
|---|---|---|---|---|---|
| *Accumulated acquisition values* | | | | | |
| At the start of the year | 467.0 | 605.1 | 288.8 | 5.5 | 1,366.4 |
| Additions | 1.3 | 39.0 | 24.0 | 2.7 | 67.0 |
| Sales and disposals | -8.6 | -23.7 | -11.2 | - | -43.5 |
| Reclassifications | 4.8 | 0.1 | 1.1 | -6.0 | 0.0 |
| Translation differences for the year | -1.3 | -1.5 | 3.3 | 0.0 | 0.5 |
| | **463.2** | **619.0** | **306.0** | **2.2** | **1,390.4** |
| *Accumulated depreciation according to plan* | | | | | |
| At the start of the year | -180.5 | -438.6 | -231.1 | - | -850.2 |
| Sales and disposals | 4.8 | 23.6 | 9.3 | - | 37.7 |
| Depreciation according to plan for the year | -12.7 | -37.8 | -21.3 | - | -71.8 |
| Translation differences for the year | -1.7 | -0.2 | -3.5 | - | -5.4 |
| | **-190.1** | **-453.0** | **-246.6** | **-** | **-889.7** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **273.1** | **166.0** | **59.4** | **2.2** | **500.7** |

| Parent Company | 2014 Equipment | 2013 Equipment |
|---|---|---|
| *Accumulated acquisition values* | | |
| At the start of the year | 6.6 | 6.1 |
| Additions | 0.2 | 0.5 |
| Sales and disposals | 0.0 | 0.0 |
| | **6.8** | **6.6** |
| *Accumulated depreciation according to plan* | | |
| At the start of the year | -5.8 | -5.4 |
| Depreciation according to plan for the year | -0.4 | -0.4 |
| Sales and disposals | 0.0 | 0.0 |
| | **-6.2** | **-5.8** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **0.6** | **0.8** |

# NOTE 20. PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2014 | 2013 |
|---|---|---|
| *Opening recognised value* | 1,155.9 | 1,142.8 |
| Business combinations | 8.7 | - |
| Company start-ups | - | 0.0 |
| Shareholder contribution to ITAB Holding BV | - | 40.4 |
| Repayment of shareholder contribution, ITAB Shop Concept s.r.o | - | -22.5 |
| Impairments for the year [1] | -0.3 | -4.8 |
| **CLOSING RECOGNISED VALUE** | **1,164.3** | **1,155.9** |

*1) Impairment has taken place in ITAB Ukraine LCC in 2014 and in ITAB Holding BV in 2013.*

| Subsidiaries | Corp. reg. no. | Reg. office | | No. of shares | Holding | 2014 Book value | 2013 Book value |
|---|---|---|---|---|---|---|---|
| AB ITAB Novena | 233393310 | Kaunas | Lithuania | 635,350 | 100% | 20.0 | 20.0 |
| ITAB Baltic SIA, LV | 50003567701 | Riga | Latvia | 100 | 100% | 2.7 | 2.7 |
| ITAB Eesti OÜ | 10994786 | Tallinn | Estonia | 400 | 100% | 0.2 | 0.2 |
| ITAB Germany Gmbh | HR 61998 | Cologne | Germany | 2 | 100% | 16.7 | 16.7 |
| ITAB GWS UK Ltd. | 2154020 | Gravesend | England | 3,544,684 | 100% | 20.6 | 20.6 |
| ITAB Shop Concept A/S [2] | 19353443 | Herning | Denmark | 1 | 100% | 8.7 | - |
| ITAB Holding B.V. | 32082085 | Woundenberg | The Netherlands | 180 | 100% | 35.8 | 35.8 |
| ITAB Konsult AB | 556554-1520 | Jönköping | Sweden | 1,000 | 100% | 0.3 | 0.3 |
| ITAB Shop Concept Belgium N.V | 0413.792.003 | Antwerp | Belgium | 279,295 | 100% | 82.6 | 82.6 |
| ITAB Pan-Oston Oy | 1569393-8 | Villähde | Finland | 1,165 | 100% | 25.9 | 25.9 |
| ITAB Pharmacy AB | 556603-8245 | Stockholm | Sweden | 40,000 | 100% | 22.2 | 22.2 |
| ITAB Scanflow AB | 556270-5367 | Jönköping | Sweden | 10,000 | 100% | 1.0 | 1.0 |
| ITAB Shop Concept AS | 960912624 | Oslo | Norway | 1,534,500 | 100% | 54.6 | 54.6 |
| ITAB Shop Concept CZ a.s | 255 68,663 | Blansko | Czech Republic | 2,210 | 100% | 276.8 | 276.8 |
| ITAB Shop Product A/S | 13769893 | Alleröd | Denmark | 500 | 100% | 22.2 | 22.2 |
| ITAB Shop Concept Finland Oy | 0719064-4 | Järvenpää | Finland | 77,000 | 100% | 18.1 | 18.1 |
| ITAB Shop Concept Jönköping AB | 556132-4046 | Jönköping | Sweden | 1,000 | 100% | 9.4 | 9.4 |
| ITAB Shop Concept Nässjö AB | 556474-2244 | Nässjö | Sweden | 2,000 | 100% | 10.9 | 10.9 |
| ITAB Shop Concept Polska Sp Zoo | 338168 | Warsaw | Poland | 1,250 | 100% | 0.0 | 0.0 |
| ITAB Shop Concept s.r.o | 283 13,518 | Boskowice | Czech Republic | 0 | 100% | 0.1 | 0.1 |
| ITAB Shop Concept Hungary LLC | 24685113-2-43 | Budapest | Hungary | 1 | 100% | 0.0 | 0.0 |
| ITAB Shop Products AB | 556065-3866 | Jönköping | Sweden | 10,000 | 100% | 5.0 | 5.0 |
| ITAB Shop Products Ltd | 5822228 | Milton Keynes | England | 2,500,000 | 100% | 34.7 | 34.7 |
| ITAB UK Ltd | 4135080 | Hemel Hempstead | England | 4,638,740 | 100% | 118.7 | 118.7 |
| ITAB Ukraine LLC [2] | 37102073 | Kiev | Ukraine | 1 | 100% | 0.0 | 0.3 |
| Nordic Light Group AB | 556306-5373 | Skellefteå | Sweden | 1,000 | 100% | 376.7 | 376.7 |
| ZAO ITAB Shop Concept Russia | 1057811914808 | St Petersburg | Russia | 100 | 100% | 0.4 | 0.4 |
| **TOTAL** | | | | | | **1,164.3** | **1,155.9** |

*2) During 2014, the subsidiary ITAB Shop Concept A/S has been acquired and the shares in ITAB Ukraine LLC have been written down.*

# NOTE 21. FINANCIAL ASSETS AND LIABILITIES

| The Group<br>2014 | Derivatives that are applied in hedge accounting | Financial liabilities measured at fair value via the income statement | Loans and receivables | Financial liabilities | Total recognised value | Fair value[1)] |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Financial non-current receivables | | | 2.0 | | 2.0 | 2.0 |
| trade receivables | | | 679.0 | | 679.0 | 679.0 |
| Derivative receivables (level 2) | 6.5 | | | | 6.5 | 6.5 |
| Other receivables | | | 61.2 | | 61.2 | 61.2 |
| Cash and cash equivalents | | | 123.6 | | 123.6 | 123.6 |
| **TOTAL FINANCIAL ASSETS** | **6.5** | | **865.8** | | **872.3** | **872.3** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 133.9 | 133.9 | 133.9 |
| Convertible debenture loan | | | | 68.6 | 68.6 | 69.0 |
| Overdraft facilities | | | | 769.8 | 769.8 | 769.8 |
| Derivative liability (level 2) | 38.4 | | | | 38.4 | 38.4 |
| Conditional purchase sum (level 3) | | 2.5 | | | 2.5 | 2.5 |
| Advance payments from customers | | | | 8.7 | 8.7 | 8.7 |
| Accounts payable, trade | | | | 339.2 | 339.2 | 339.2 |
| Other liabilities | | | | 60.6 | 60.6 | 60.6 |
| Accrued interest expenses | | | | 3.9 | 3.9 | 3.9 |
| **TOTAL FINANCIAL LIABILITIES** | **38.4** | **2.5** | | **1,384.7** | **1,425.6** | **1,426.0** |

| 2013 | | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Financial non-current receivables | | | 0.6 | | 0.6 | 0.6 |
| Accounts receivable | | | 564.6 | | 564.6 | 564.6 |
| Other receivables | | | 47.8 | | 47.8 | 47.8 |
| Accrued interest income | | | 0.0 | | 0.0 | 0.0 |
| Cash and cash equivalents | | | 142.4 | | 142.4 | 142.4 |
| **TOTAL FINANCIAL ASSETS** | | | **755.4** | | **755.4** | **755.4** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 275.3 | 275.3 | 275.3 |
| Convertible debenture loan | | | | 39.8 | 39.8 | 40.0 |
| Overdraft facilities | | | | 684.7 | 684.7 | 684.7 |
| Derivative liability (level 2) | 32.6 | | | | 32.6 | 32.6 |
| Conditional purchase sum (level 3) | | 3.2 | | | 3.2 | 3.2 |
| Advance payments from customers | | | | 40.8 | 40.8 | 40.8 |
| Accounts payable, trade | | | | 272.2 | 272.2 | 272.2 |
| Other liabilities | | | | 55.2 | 55.2 | 55.2 |
| Accrued interest expenses | | | | 4.1 | 4.1 | 4.1 |
| **TOTAL FINANCIAL LIABILITIES** | **32.6** | **3.2** | | **1,372.1** | **1,407.9** | **1,408.1** |

| Parent Company<br><br>2014 | Loans and receivables | Financial liabilities | Total recognised value | Fair value [1] |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Current receivables from Group companies | 395.1 | | 395.1 | 395.1 |
| Other receivables | 3.5 | | 3.5 | 3.5 |
| Cash and cash equivalents | 0.0 | | 0.0 | 0.0 |
| **TOTAL FINANCIAL ASSETS** | **398.6** | | **398.6** | **398.6** |
| | | | | |
| **Financial liabilities** | | | | |
| Liabilities to credit institutions | | 15.0 | 15.0 | 15.0 |
| Convertible debenture loan | | 68.6 | 68.6 | 69.0 |
| Overdraft facilities | | 763.4 | 763.4 | 763.4 |
| Accounts payable, trade | | 2.6 | 2.6 | 2.6 |
| Current liabilities to Group companies | | 95.7 | 95.7 | 95.7 |
| Other liabilities | | 1.7 | 1.7 | 1.7 |
| Accrued interest expenses | | 3.8 | 3.8 | 3.8 |
| **TOTAL FINANCIAL LIABILITIES** | | **950.8** | **950.8** | **951.2** |

| 2013 | | | | |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Current receivables from Group companies | 344.3 | | 344.3 | 344.3 |
| Cash and cash equivalents | 0.0 | | 0.0 | 0.0 |
| **TOTAL FINANCIAL ASSETS** | **344.3** | | **344.3** | **344.3** |
| | | | | |
| **Financial liabilities** | | | | |
| Liabilities to credit institutions | | 172.6 | 172.6 | 172.6 |
| Convertible debenture loan | | 39.8 | 39.8 | 40.0 |
| Overdraft facilities | | 621.4 | 621.4 | 621.4 |
| Accounts payable, trade | | 5.1 | 5.1 | 5.1 |
| Current liabilities to Group companies | | 56.0 | 56.0 | 56.0 |
| Other liabilities | | 1.6 | 1.6 | 1.6 |
| Accrued interest expenses | | 3.2 | 3.2 | 3.2 |
| **TOTAL FINANCIAL LIABILITIES** | | **899.7** | **899.7** | **899.9** |

*1) For current receivables and liabilities with a lifetime of less than six months, the reported value is considered to reflect the fair value.*

**VALUATION HIERARCHY**

The Group recognises financial instruments that are valued at fair value in the Statement of financial position. This requires information about valuation at fair value per level in the following fair value hierarchy:

*Level 1:*

Listed prices (unadjusted) on active markets for identical assets or liabilities. Financial instruments valued at fair value based on level 1 comprise cash and cash equivalents as well as non-current and current interest-bearing liabilities.

*Level 2:*

Observable input data for assets or liabilities other than listed prices included in level 1, either direct (i.e. as price quotations) or indirect (i.e. derived from price quotations). Financial instruments valued at fair value based on level 2 comprise derivatives that are applied in hedge accounting.

*Level 3:*

Input data for the asset or liability that are not based on observable market data (i.e. non-observable input data).

**DERIVATIVE INSTRUMENTS**

Derivative instruments comprise interest rate swaps and currency swaps, and are valued at market value according to level 2. In other words, for derivative instruments, the fair value is calculated through discounted future cash flows according to the contracts' terms and due dates, where all variables, such as discount rates and exchange rates, are obtained from market listings for calculations.

**CONDITIONAL PURCHASE SUM**

The calculation of conditional purchase sum (level 3) is dependent on parameters in the agreement in question. These parameters are mainly linked to anticipated results over the next four years for the acquired companies. An increase in anticipated profit entails a higher liability for the conditional purchase sum. For existing agreements, however, there is a cap that limits the maximum extent of the liability. Refer also to Note 5.

## NOTE 22. LEASING

**FINANCIAL LEASING**

Items concerning financial leases have been included in the consolidated accounts as described below.

| | 2014 | 2013 |
|---|---|---|
| *Plant and machinery* | | |
| *Accumulated acquisition values* | | |
| At the start of the year | 53.2 | 53.4 |
| Additions | 5.1 | 6.8 |
| Acquisitions/sales of subsidiaries | 10.8 | - |
| Sales and disposals | - | -6.9 |
| Translation differences for the year | 0.4 | -0.1 |
| | **69.5** | **53.2** |
| *Accumulated depreciation according to plan* | | |
| At the start of the year | -39.5 | -41.9 |
| Acquisitions/sales of subsidiaries | -1.8 | - |
| Depreciation according to plan for the year | -4.1 | -4.5 |
| Sales and disposals | - | 6.9 |
| Translation differences for the year | -0.2 | 0.0 |
| | **-45.6** | **-39.5** |
| **RECOGNISED RESIDUAL VALUE AT THE CLOSE OF THE YEAR** | **23.9** | **13.7** |
| *Borrowing, financial leasing* | | |
| Current portion, maturity date within one year | 5.2 | 3.2 |
| Non-current portion, maturity date between one and five years | 15.9 | 9.0 |
| Non-current portion, maturity date over five years | 4.1 | 3.1 |
| | **25.2** | **15.3** |

The Group's significant financial leases refer to machinery in Sweden, Norway, Denmark and Finland. There are no significant variable charges.

During 2014, the cost for these agreements, excluding consideration for deferred tax, amounted to SEK 4.7 million (3.8). Future obligations for financial agreements amount to SEK 27.1 million (16.5) and are distributed as follows:

| | Nominal value 2014 | Current value 2014 |
|---|---|---|
| Maturity date within one year | 5.9 | 5.8 |
| Maturity date between one and five years | 17.9 | 16.8 |
| Maturity date more than five years | 3.3 | 2.9 |
| | **27.1** | **25.5** |

| | 2013 | 2013 |
|---|---|---|
| Maturity date within one year | 3.5 | 3.5 |
| Maturity date between one and five years | 10.8 | 9.9 |
| Maturity date more than five years | 2.2 | 1.9 |
| | **16.5** | **15.3** |

**OPERATING LEASES**

Leasing costs for assets held via operational leases, such as leased premises, machinery, vehicles and office equipment, are recognised in operating expenses and amounted to SEK 89.3 million (84.0) in 2014, of which rental costs for properties amounted to SEK 73.8 (68.7). There are no significant variable charges or restrictions.

Agreed future payments for operational leases amount to SEK 294.9 (286.7), and are distributed as follows:

| | 2014 | 2013 |
|---|---|---|
| Maturity date within one year | 86.3 | 70.8 |
| Maturity date between one and five years | 178.6 | 175.2 |
| Maturity date more than five years | 30.0 | 40.7 |
| | **294.9** | **286.7** |

## NOTE 23. INVENTORIES

| **The Group** | **2014** | **2013** |
|---|---|---|
| Raw materials and supplies | 381.0 | 358.9 |
| Work in progress | 62.2 | 50.9 |
| Finished products and trading goods | 353.1 | 268.2 |
| Work in progress for other parties | 24.4 | 30.7 |
| Advance payment to suppliers | 0.3 | 1.4 |
| | **821.0** | **710.1** |

*The year's impairment of finished products and trading goods expensed to the year's income totalled SEK 13.8 million (15.1) for the Group.*

## NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

| **The Group** | **2014** | **2013** |
|---|---|---|
| Prepaid rent and leasing fees | 13.2 | 12.6 |
| Prepaid insurance premiums | 3.8 | 3.7 |
| Other prepaid expenses | 33.5 | 28.4 |
| Accrued income | 9.2 | 6.3 |
| | **59.7** | **51.0** |

| **Parent Company** | **2014** | **2013** |
|---|---|---|
| Prepaid rent and leasing fees | 0.2 | 0.2 |
| Prepaid insurance premiums | 0.4 | 0.4 |
| Other prepaid expenses | 8.8 | 10.0 |
| | **9.4** | **10.6** |

## NOTE 25. SHAREHOLDERS' EQUITY

**THE GROUP**

**Share capital**

For information regarding share capital and the share capital trend, see the Parent Company's details below.

**Other contributed capital**

Refers to equity that is contributed by the shareholders. This includes a portion of share premium reserves transferred to the statutory reserve as of 31 December 2005. Provisions to the share premium reserve as of 1 January 2006 and thereafter are also recognised as other contributed capital.

**Other reserves**

Other reserves in equity comprise translation reserve and hedging reserve.

**Translation reserve**

Translation differences for subsidiary operations abroad are recognised as a separate item in equity. The translation reserve includes all exchange rate differences that arise when translating financial statements from foreign operations that have prepared their financial statements in a currency other than the Group's functional currency. The Parent Company and the Group present their financial statements in Swedish kronor (SEK). In addition, the translation reserve comprises exchange rate differences that arise when translating liabilities that have been entered as hedging instruments for a net investment in a foreign operation.

When foreign operations are divested and liquidated, the accumulated exchange rate differences are to be recognised as part of the earnings from the sales. During 2014, one company in Ukraine and one operation in the Czech Republic were liquidated. There were no divestments or liquidations in 2013.

Accumulated translation reserve, recognised in comprehensive income as of 2004, amounts to the following:

| Translation reserve related to the Parent Company's shareholders | 2014 | 2013 |
|---|---|---|
| Opening balance | -71.6 | -71.4 |
| Translation difference for phased out operations transferred to profit for the year | 1.4 | - |
| Translation differences for the year | 70.6 | -0.2 |
| **Closing balance** | **0.4** | **-71.6** |

| Translation reserve related to holdings without controlling influence | | |
|---|---|---|
| Opening balance | 1.5 | 0.6 |
| Translation differences for the year | 8.4 | 0.9 |
| **Closing balance** | **9.9** | **1.5** |

**Hedging reserve**

The hedging reserve includes the accumulated net change in the fair value of cash flow hedging instruments attributable to hedging transactions that have not yet taken place.

| | 2014 | 2013 |
|---|---|---|
| Opening balance | -28.7 | -32.8 |
| Net change for the year | 5.7 | 4.1 |
| **Closing balance** | **-23.0** | **-28.7** |
| **Total other reserves related to the Parent Company's shareholders** | **-22.6** | **-100.3** |
| **Total other reserves relating to holdings without a controlling influence** | **9.9** | **1.5** |

**Profit brought forward**

Profit brought forward, including profit for the year, includes earned gains in the Parent Company and its subsidiaries as well as associated companies. Previous provisions to the statutory reserve, excluding transferred share premium reserves, are included in this separate capital item.

**PARENT COMPANY**

**Share capital**

The share capital in ITAB Shop Concept AB amounts to SEK 42,383 thousand distributed between 7,800,000 Class A shares and 26,106,410 Class B shares. Each Class A share entitles the holder to ten votes and each Class B share to one vote. All shares have equal rights to dividends. The nominal value is SEK 1.25 per share. With regard to the share capital trend, refer to pages 10-13.

**Statutory reserve**

The purpose of the statutory reserve has been to save a portion of the net profit, which is not used for coverage of loss brought forward. This also includes a portion of share premium reserves transferred to the statutory reserve as of 31 December 2005.

**Share premium reserve**

When shares are issued at a share premium, i.e. it is necessary to pay more than the shares' nominal value for the shares, an amount corresponding to the received amount over and above the nominal value for the shares must be transferred to the share premium reserve. Share premium reserves prior to 31 December 2005 have been transferred to the statutory reserve.

**Profit brought forward**

Profit brought forward comprises the previous year's profit brought forward, including the previous year's profit after payment of any dividends. Together with the profit for the year and the share premium reserve, this constitutes total unrestricted equity, i.e. the amount that is available for dividends to the shareholders.

## NOTE 26. UNTAXED RESERVES

| Parent Company | 2014 | 2013 |
|---|---|---|
| Accumulated excess depreciation | 0.0 | 0.1 |
| | **0.0** | **0.1** |
| *Deferred tax included at 22%* | *0.0* | *0.0* |

## NOTE 27. LOANS AND CREDIT

| The Group | 2014 | 2013 |
|---|---|---|
| Maturity date | | |
| within 1 year | 842.2 | 879.2 |
| between 1 and 5 years | 168.3 | 153.2 |
| after 5 years | - | - |
| | **1,010.5** | **1,032.4** |
| **The Group's loans and credit comprise:** | | |
| Liabilities to credit institutions | 133.7 | 275.3 |
| Convertible debenture loan | 68.6 | 39.8 |
| Overdraft facilities | 769.8 | 684.7 |
| Derivative liabilities | 38.4 | 32.6 |
| | **1,010.5** | **1,032.4** |

| Parent Company | 2014 | 2013 |
|---|---|---|
| Maturity date | | |
| within 1 year | 768.5 | 676.4 |
| between 1 and 5 years | 78.5 | 157.4 |
| after 5 years | - | - |
| | **847.0** | **833.8** |
| **The Parent Company's loans and credit comprise:** | | |
| Liabilities to credit institutions | 15.0 | 172.6 |
| Convertible debenture loan | 68.6 | 39.8 |
| Overdraft facilities | 763.4 | 621.4 |
| | **847.0** | **833.8** |

*Some of the company's bank loans are restricted with covenants, stipulated in the loan contract. The restrictions mean that ITAB has committed to keeping the company's interest-bearing net liability in relation to EBITDA and the portion of risk-bearing capital within certain stipulated levels. None of these covenants have been breached during the year.*

**OVERDRAFT FACILITIES**

| The Group | 2014 | 2013 |
|---|---|---|
| Granted overdraft facility | 1,104.0 | 1,015.9 |
| Utilised overdraft facility | 769.8 | 684.7 |
| **Unutilised overdraft facility** | **334.2** | **331.2** |
| **Parent Company** | | |
| Granted overdraft facility | 993.7 | 775.8 |
| Utilised overdraft facility | 763.4 | 621.4 |
| **Unutilised overdraft facility** | **230.3** | **154.4** |

*The companies in the ITAB Group are affiliated to the Group account system (Global Cash Pool/GCP). At the end of the year, ITAB Shop Concept AB borrowed SEK 604.2 million (533.0) net via Group accounts. Together with the subsidiaries within the Group, the Parent Company's total liability to credit institutions in GCP amounted to SEK 732.1 million (621.4), i.e. the Parent Company has a claim against subsidiaries totalling SEK 128.0 million (88.4).*

## NOTE 28. CONVERTIBLE DEBENTURE LOAN

The company has two outstanding convertible loans recognised at a total of SEK 68.6 million. Both loans are targeted at the Group's employees at market conditions. The first loan was taken out in June 2012 in which, recalculated for the 2:1 split, 650,406 convertibles were subscribed for at a conversion rate of SEK 61.50. The nominal amount is SEK 40.0 million, which corresponds to 325,203 shares. Transaction expenses that arise in connection with the convertible loan are spread over the term of the loan and expensed as financial expense. The convertible loan will run until 30 June 2016 at an annual interest rate of STIBOR 3 months plus 2.55 percentage points. During the period 1 June 2016 to 10 June 2016, the convertible debenture can be converted to shares at a conversion rate of SEK 61.50 per share. The loan's nominal amount is SEK 61.50.

The second loan was taken out in June 2014, in which 100,334 convertibles were subscribed for at a conversion rate of SEK 149.50. The nominal amount is SEK 30.0 million, which corresponds to 100,334 shares. Transaction expenses that arise in connection with the convertible loan are spread over the term of the loan and expensed as financial expense. The convertible loan will run until 30 June 2018 at an annual interest rate of STIBOR 3 months plus 2 percentage points. During the period 1 June 2019 to 11 June 2018, the convertible debenture can be converted to shares at a conversion rate of SEK 149.50 per share. The loan's nominal amount is SEK 149.50.

## NOTE 29. PROVISIONS FOR PENSIONS

The following tables are an overview of the items included in the net costs for remuneration recognised in the consolidated income statement for defined-benefit pension plans. Certain information concerning the outcome of capital management and amounts reported in the Group's balance sheet for these pension plans is also provided.

| **Defined-benefit pension plans** | **2014** | **2013** |
|---|---|---|
| *Net costs* | | |
| Interest on the year's increase of present value of pension commitments | 1.1 | 0.6 |
| Net of earned pensions and paid premiums during the year | -2.1 | -2.5 |
| Expected return on management assets | -0.9 | -0.5 |
| **RECOGNISED PENSION COSTS, NET** | **-1.9** | **-2.4** |
| | | |
| *Recognised provisions per 31 December* | | |
| Pension commitments' present value | 30.9 | 20.3 |
| Management asset's fair value | -22.6 | -13.3 |
| **RECOGNISED PROVISIONS PER 31 DEC.** | **8.3** | **7.0** |
| | | |
| *The net amount is distributed between the following countries* | | |
| Norway | 5.2 | 3.8 |
| Sweden | 2.3 | 2.3 |
| Belgium | 0.8 | 0.9 |
| Other | 0.0 | 0.0 |
| **OBLIGATIONS RECOGNISED IN THE BALANCE SHEET** | **8.3** | **7.0** |

| | **2014** | **2013** |
|---|---|---|
| *Change in recognised provision* | | |
| Opening net liability | 7.0 | 7.4 |
| Actuarial gains and losses | 3.2 | 2.3 |
| Realignment | 0.0 | -0.3 |
| Pension costs, net | -1.9 | -2.4 |
| **RECOGNISED PROVISIONS PER 31 DEC.** | **8.3** | **7.0** |
| | | |
| *The most important assumptions used for determining commitments for pensions (%)* | | |
| Discount factor | 3,00% | 4,10% |
| Future wage increases | 3,25% | 3,75% |
| Future pension increases | 3,00% | 3,50% |
| Expected yield | 3,00% | 4,10% |

**ALECTA**

For salaried employees in Sweden, the ITP 2 plan's defined benefit pension commitments for retirement and family pension are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of the pension plan ITP 2 which is financed through insurance with Alecta, this is a defined-benefit plan that covers several employers.

For the 2014 financial year, the company has not had access to information in order to report its proportional share of the plan's obligations, management assets and costs, which has meant that it has not been possible to report the plan as a defined-benefit plan. The ITP 2 pension plan that is secured through insurance with Alecta is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated on an individual basis, and is dependent in part on wages, previously earned pension and anticipated remaining period of service. The fees for the year for ITP 2 insurance policies taken out in Alecta amount to SEK 1.9 million (3.3).

The collective solvency level comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's insurance-related methods and assumptions, which do not coincide with IAS 19. The collective solvency level will normally be allowed to vary between 125 and 155 per cent. If Alecta's collective solvency level is below 125 per cent or above 155 per cent, measures must be taken with the aim of creating the conditions to bring the solvency level back to the normal range. In the event of low solvency, one measure may be to raise the agreed price for new subscriptions and to extend existing benefits. In the event of high solvency, one measure may be to introduce premium reductions. At the close of 2014, Alecta's surplus in the form of the collective solvency level was 143 per cent (148).

## NOTE 30. OTHER PROVISIONS

| The Group | 2014 | 2013 |
|---|---|---|
| Restructuring reserve [1)] | 11.9 | - |
| Guarantee fund | 3.0 | 3.7 |
| Environmental reserve | 0.6 | 0.7 |
| Other provisions | 5.4 | 4.7 |
| **Closing balance** | **20.9** | **9.1** |

*1) The restructuring reserve refers to costs in association with the integration of operations that were acquired in 2014.*

| The Group | Guarantee fund | Environmental reserve | Restructuring reserve | Other provisions | Total |
|---|---|---|---|---|---|
| **Opening balance as per 1 Jan 2014** | **3.7** | **0.7** | **-** | **4.7** | **9.1** |
| The year's provisions | 0.3 | - | 3.9 | 0.4 | 4.6 |
| Acquisitions of subsidiaries | - | - | 8.0 | - | 8.0 |
| Utilised provisions | -1.0 | -0.1 | - | - | -1.1 |
| Translation differences | 0.0 | 0.0 | - | 0.3 | 0.3 |
| **Closing balance as per 31 Dec 2014** | **3.0** | **0.6** | **11.9** | **5.4** | **20.9** |
| | | | | | |
| of which, current provisions | **-** | **0.1** | **11.9** | **-** | **12.0** |
| of which, non-current provisions | **3.0** | **0.5** | **-** | **5.4** | **8.9** |

## NOTE 31. ACCRUED EXPENSES AND PREPAID INCOME

| The Group | 2014 | 2013 |
|---|---|---|
| Payroll and vacation expenses | 76.1 | 57.4 |
| Accrued social security fees, including pension and payroll tax | 31.3 | 23.6 |
| Accrued sales commissions | 28.8 | 12.2 |
| Accrued service-related expenses | 2.7 | 1.8 |
| Accrued interest expenses | 3.9 | 4.1 |
| Other accrued expenses | 63.7 | 37.6 |
| Prepaid income | 6.7 | 3.2 |
| | **213.2** | **139.9** |

| Parent Company | 2014 | 2013 |
|---|---|---|
| Payroll and vacation expenses | 5.1 | 3.9 |
| Accrued social security fees, including pension and payroll tax | 3.4 | 2.5 |
| Accrued interest expenses | 3.8 | 3.2 |
| Other accrued expenses | 2.1 | 0.6 |
| | **14.4** | **10.2** |

## NOTE 32. PLEDGED ASSETS

| The Group | 2014 | 2013 |
|---|---|---|
| **Pledges for own liabilities** | | |
| Property mortgages | 46.2 | 80.0 |
| Business mortgages | 233.6 | 260.1 |
| Shares in subsidiaries | 1,153.8 | 1,005.6 |
| **TOTAL PLEDGED ASSETS** | **1,433.6** | **1,345.7** |

| Parent Company | 2014 | 2013 |
|---|---|---|
| **Pledges for own liabilities** | | |
| Shares in subsidiaries | 753.5 | 753.5 |

*All security provisions refer to security for liabilities to credit institutions.*

## NOTE 33. CONTINGENT LIABILITIES

| The Group | 2014 | 2013 |
|---|---|---|
| Guarantee undertakings | 12.4 | 8.4 |
| **Parent Company** | | |
| Sureties for subsidiaries | 210.5 | 159.4 |

## NOTE 34. TRANSACTIONS WITH RELATED PARTIES

The ITAB Group's related parties refer to Group management, the Parent Company's Board and companies under the controlling influence of these parties. Transactions of significance with related parties refer to transactions with a value of more than SEK 1 million with the Group's aforementioned related parties. Details regarding salary and remuneration to senior executives, see Note 8.

Transactions between ITAB's subsidiaries and companies under the controlling influence of ITAB's Board members do take place. These transactions are part of the company's standard operations and are conducted at market conditions.

- Rent and other property expenses in the amount of SEK 21 million (21) for the properties in Jönköping and Nässjö were paid in 2014 to Tosito AB, owned by Board member Stig-Olof Simonsson. Prepaid rent affects the balance sheet by SEK 5 million (5).
- Purchases at a value of SEK 5 million (3) were made by ITAB Shop Concept AB Nässjö from Arion Sweden AB, owned by Pomonagruppen, in 2014.
- Purchases to a value of SEK 2 million (1) have been made in 2014 by the ITAB companies ITAB Shop Concept Nässjö, ITAB Shop Concept Jönköping and ITAB Shop Concept Finland Oy from companies in the XANO Group, which are under the controlling influence of Chairman of the Board Tord Johansson.

## NOT 35. EVENTS AFTER CLOSING DAY

ITAB entered into an agreement regarding the acquisition of JPD in Latvia on 4 February 2015. ITAB took possession immediately and the purchase sum amounted to EUR 6.4 million cash, with an additional purchase sum based on the company's profit over the next two years. The company reported sales of EUR 11.5 million in 2014, and the acquisition is deemed to have a positive impact of SEK 0.5 in terms of profit per share in 2015.

The Board of Directors and the CEO hereby verify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act, and provide a true and fair view of the Group's and the Parent Company's financial position and results, and that the Directors' Report presents a true and fair view of the Group's and the Parent Company's business activities, position and financial results and describes significant risks and uncertainties that the Parent Company and companies within the Group face. The annual accounts and the consolidated accounts have been approved for issue by the Board of Directors on 17 March 2015. The Group's income statement and statement of financial position, as well as the Parent Company's income statement and balance sheet, will be subject to adoption at the Annual General Meeting on 4 May 2015.

**Jönköping, 17 March 2015**

Tord Johansson
Chairman

Fredrik Rapp
Board member

Anna Benjamin
Board member

Sune Lantz
Board member

Stig-Olof Simonsson
Board member

Lottie Svedenstedt
Board member

Anders Moberg
Board member

Ulf Rostedt
Chief Executive Officer

**Our audit was submitted on 24 March 2015**

**Ernst & Young AB**

Håkan Sundberg
Authorised Public Accountant

# AUDITORS' REPORT

To the Annual General Meeting of ITAB Shop Concept AB (publ)
Corporate identity number 556292-1089

**STATEMENT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

We have carried out an audit of the annual accounts and consolidated accounts for ITAB Shop Concept AB (publ) for the financial year 01.01.2014–31.12.2014. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 44–76.

*The Board of Directors and CEO are responsible for the annual accounts and consolidated accounts.* The Board of Directors and CEO are responsible for the preparation and fair presentation of the annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, the Annual Accounts Act, and for such internal control as the Board of Directors and CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free of material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the annual accounts and the consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Board of Director and CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2014 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and their financial performance and cash flows for the year in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend to the Annual General Meeting of shareholders that the income statement and balance sheet of the Parent Company and the income statement and statement of financial position for the Group be adopted.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and CEO of ITAB Shop Concept AB for the year 01.01.2014 - 31.12.2014.

*Responsibilities of the Board of Directors and CEO*

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss, and the Board of Directors and CEO are responsible for administration under the Companies Act.

*Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinions*

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

**Jönköping, 24 March 2015**
**Ernst & Young AB**

Håkan Sundberg
*Authorised Public Accountant*

# CORPORATE GOVERNANCE REPORT

## COMMENTS BY THE CHAIRMAN OF THE BOARD OF ITAB

The Board is charged with managing the company's and the owners' interests in a reliable way. At the same time, we have to be sensitive to all the company's stakeholders in order to maintain the trust that the company enjoys.

Our Board constitutes a good combination of abilities, the skills we possess complement each other and several of the members have solid experience from relevant sectors. Decisions are made after discussions in which several perspectives are taken into account, and in this way we achieve a transparent discussion regarding various areas.

The task of the Board is, based on a long-term perspective, to make decisions that create the conditions for the Group to be able to work and develop in order to satisfy established goals. We have to be very knowledgeable about the sector and the market situation. We have to be able to lift our gaze and make decisions that have the correct strategic focus in the long term.

ITAB has worked for a long time to achieve a sustainable operation, and during the year the Board has decided that ITAB will report its sustainability work according to GRI's framework. The first presentation will relate to the 2015 financial year.

During the final quarter of the year, ITAB acquired seven operations, three of which were bankrupt estates. The acquisitions are in line with our strategy of strengthening our market position on existing markets. The Board's decision-making process was very effective on several occasions, which made several of the acquisitions possible. During the year, the Board, together with the Group management, has built up skills and knowledge regarding acquisitions that make it possible to act quickly. The effective decision-making process that the Board possesses and the Group's robust implementation are strengths within ITAB.

The Board is extremely confident of the market position ITAB possesses, and considers that the Group's offer will continue to have considerable potential in the future. Maintaining a long-term approach has always been an important part of ITAB's strategic focus and we believe it is resulting in stable growth. We are looking to the future with confidence.

*Tord Johansson*
*Chairman of the Board*

## INTRODUCTION

Corporate governance in Swedish companies listed on the Stock Exchange is regulated by a combination of written rules and practice. The regulations are made up in the first instance of the Swedish Companies Act and the rules that apply on the regulated market on which the company's shares are listed for trading. In addition, all listed Swedish companies have been covered by the Swedish Code for Corporate Governance ("the Code") since 1 July 2008.

The Swedish Companies Act stipulates that there must be three decision-making bodies in the company: an annual general meeting, a board of directors and a CEO. There must also be a control body, an auditor, that is appointed by the annual general meeting. The Act specifies the duties of each body and the responsibility of the individuals included in the company's bodies. The Code supplements the Act by imposing more stringent demands in various areas, but at the same time makes it possible for companies to deviate from these if it is considered that this would result in better corporate governance in the individual case in question.

## CORPORATE GOVERNANCE IN ITAB

ITAB Shop Concept AB (publ) is a Swedish registered limited liability company, whose overall ambition is to create long-term value for shareholders and other stakeholders. The ITAB share is listed on NASDAQ Stockholm in the Mid Cap segment.

The information requirements that ITAB consequently has to fulfil are set out in the "Regulations for issuers" issued by the Stock Exchange. The provisions of the Code apply to ITAB as of July 2008. This Corporate Governance Report describes ITAB's corporate governance, management and administration as well as internal controls regarding financial reporting.

This corporate governance report is not part of the Directors' Report. The report is examined by the company's auditor in accordance with the Annual Accounts Act, see separate statement attached to this Corporate Governance Report on page 81.

## SHAREHOLDERS

At the end of 2014, the number of shareholders in ITAB amounted to 2,608 (2,098). Institutional ownership made up 4.34 per cent of the votes and 13.32 per cent of the capital. The ten largest shareholders were responsible for 91.22 per cent of the votes and 73.89 per cent of the capital. At present there are two shareholders who each own and control more than 10 per cent of the votes for all the shares in the company. Tord Johansson controls 24.25 per cent of the capital and 53.10 per cent of the votes via his own via holdings and holdings of related parties. Pomonagruppen holds 29.63 per cent of the capital and 28.32 per cent of the votes.

## THE ANNUAL GENERAL MEETING

The Annual General Meeting is the forum where the shareholders exert their influence. The Annual General Meeting is the company's highest decision-making body and has a senior position in relation to the company's Board of Directors and CEO. According to the Articles of Association, the notice of the Annual General Meeting must be published by means of an announcement in Post och Inrikes Tidningar and on the company's website. Information notifying that the announcement has been made in Post och Inrikes Tidningar and on the company's website must be advertised in Dagens Industri.

## ANNUAL GENERAL MEETING

The Annual General Meeting convenes once a year in order to decide on whether to adopt the income statement and balance sheet, on the discharge from liability for members of the Board and the CEO, and on the appropriation of profits or losses. The meeting also elects the Board and, when required, the auditors.

All shareholders registered in the shareholders' register and who have given notice of attendance may participate in the Meeting and vote according to the number of shares owned. Shareholders who are unable to attend in person may exercise their rights by proxy.

## ANNUAL GENERAL MEETING 2014

ITAB's 2014 Annual General Meeting was held Wednesday 7 May. Attending the Meeting were 56 shareholders representing 90.16 per cent of the votes and 71.06 per cent of the total number of shares. ITAB's Board of Directors, management, auditors and representatives from the Nomination Committee were present at the Meeting. The following decisions were taken:

- Dividends to the shareholders of SEK 1.50 per share, for a total of SEK 50.86 million.
- Anna Benjamin, Tord Johansson, Anders Moberg, Fredrik Rapp, Stig-Olof Simonsson and Lottie Svedenstedt were re-elected as members of the Board, and Sune Lantz was elected for the first time.
- Tord Johansson was elected Chairman of the Board.
- Anders Rudgård (Chairman), Fredrik Rapp and Johan Storm were elected to the Nomination Committee ahead of the 2015 Annual General Meeting.
- The registered auditing company Ernst & Young AB was selected as auditor, with authorised public accountant Håkan Sundberg as auditor with overall responsibility.
- Fees to the Board of Directors and auditors, as well as guidelines for remuneration to senior executives.
- Authorisation to the Board to decide on the purchase and transfer of the company's own shares.
- Authorisation to the Board to decide on a new share issue for a maximum one-tenth of the company's issued shares.
- Change to the Articles of Association and a split of the shares (share split 2:1).
- Issue of convertible bonds to employees.

## ANNUAL GENERAL MEETING 2015

ITAB's 2015 Annual General Meeting will be held on Monday 4 May at 3 pm in ITAB's offices at Instrumentvägen 2 in Jönköping, Sweden. Further information can be found on page 87.

## NOMINATION COMMITTEE

The Nomination Committee is the Meeting's body for proposing the AGM's decisions regarding appointment issues that provides conditions for well-informed decision-making in these issues.

Following a proposal from the largest shareholders as of 31.12.2013, Tord Johansson and Pomonagruppen AB, who jointly represent 81.42 per cent of the votes and 53.88 per cent of the capital in ITAB, the 2014 Annual General Meeting appointed Anders Rudgård (Chairman), Fredrik Rapp and Johan Storm as members of the Nomination Committee.

The Nomination Committee's task for the 2015 AGM is to propose candidates for Chairman of the Board and Board members, AGM meeting chairman and auditors, as well as fees and other remuneration for Board, committee and audit work. The Nomination Committee has evaluated relevant aspects of the work of the Board and, prior to the AGM, has held one minuted meeting with all members present, as well as several other contacts.

## THE BOARD OF DIRECTORS

The tasks of the Board of Directors are to manage the company's affairs on behalf of the shareholders. According to ITAB's Articles of Association, the Board of Directors must comprise at least three and at most eight members with at most eight deputies. According to the Code, deputies will not be appointed to those members elected by the Annual General Meeting. ITAB's Board of Directors currently comprises seven ordinary members: Tord Johansson (Chairman), Anna Benjamin, Sune Lantz, Anders Moberg, Fredrik Rapp, Stig-Olof Simonsson and Lottie Svedenstedt. A more detailed presentation of the Board members can be found on page 82. The Board members elected by the AGM include individuals representing ITAB's major shareholders as well as independents (see table on page 81). The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or changes to the Articles of Association. In addition to current laws and recommendations, ITAB's Board work is governed by the Board's rules of procedure stipulated once a year. The rules of procedure include rules for the division of responsibilities between the Board and the CEO, financial reporting and investments.

The Board held ten Board meetings during 2014, seven of which were ordinary Board meetings. In addition to operational information, predetermined reports and resolution items are addressed at every regular meeting, such as a review of the previous meeting's minutes, a general review of Group companies including following up the most recent accounts and comparisons with forecasts, as well as financing and liquidity, in accordance with the Board's rules of procedure.

The Board also takes decisions on issues of a general nature, such as the Group's strategy, structural and organisational issues, policies and guidelines, as well as major investments. The company's auditors participate in at least one of the Board's meetings every year. At this time, the auditor presents observations made when auditing the company's accounts, procedures and internal audits. The Board of Directors continually evaluates the work of the CEO.

In addition to fixed points as above, the programme for 2014 also covered the following:

1. **5 February.** Year-end report 2013, report from the Audit Committee in which the auditors' overall observations during the audit of the 2013 accounts were presented, evaluation of the Board's work in 2013.
2. **11 March.** Decision on proposal for convertible debenture scheme.
3. **7 May.** Interim report, three months, conditions ahead of Annual General Meeting.
4. **7 May.** Statutory Board meeting.
5. **9 July.** Half-yearly report.
6. **9-10 September.** Group strategy, year plan for 2015.
7. **16 October.** Resolution regarding acquisitions.
8. **29 October** Resolution regarding acquisitions.
9. **4 November.** Interim report, nine months.
10. **9 December.** Forecast for 2015.

## AUDIT COMMITTEE

The Audit Committee will prepare the Board of Directors' work of quality-assuring the company's financial reporting, continually meet the company's auditors to obtain information about the focus and scope of the audit, as well as discuss co-ordination between the external audit and the internal control and views of the company's risks, establish guidelines regarding which services other than audits the company may procure from the company's auditors, evaluate audit work and notify the company's Nomination Committee about the results of the evaluation, as well as assist the Nomination Committee in the drawing up of proposals for auditors and the payment of fees for the audit work.

Up until the statutory Board meeting on 7 May 2014, ITAB's Audit Committee comprised the Board members Anna Benjamin (Chair of the committee), Tord Johansson and Fredrik Rapp. After 7 May 2014, the Audit Committee comprises Anna Benjamin (Chair of the committee), Sune Lantz and Fredrik Rapp.

During 2014, the Audit Committee has held two minuted meetings in which all the members have participated, and has maintained ongoing contact with the company's auditors. The Audit Committee has also had a number of contacts with the Group management.

## REMUNERATION COMMITTEE

The Remuneration Committee's primary tasks are preparing the Board's decisions on issues regarding remuneration principles, remunerations and other terms of employment for corporate management, monitoring and evaluating ongoing schemes and schemes concluded during the year regarding variable remuneration to corporate management, as well as monitoring and evaluating the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting, as well as current ▶

remuneration structures and remuneration levels in the company. ITAB's Remuneration Committee has also been tasked with preparing issues regarding remuneration and other employment terms for CEOs in other companies in the Group.

Up until the statutory Board meeting on 7 May 2014, ITAB's Remuneration Committee comprised the Board members Lottie Svedenstedt (Chair of the committee), Tord Johansson and Stig-Olof Simonsson, with CEO Ulf Rostedt as an additional member. After 7 May 2014, the Remuneration Committee comprises Lottie Svedenstedt (Chair of the committee), Tord Johansson and Sune Lantz.

During 2014, the Remuneration Committee has held two minuted meetings in which all the members participated.

### CEO

The Chief Executive Officer is appointed by the Board to be responsible for the company's day-to-day management in line with the Board's guidelines and instructions. The current CEO Ulf Rostedt took up his position in February 2008, after having been Deputy CEO since 2004.

### GROUP MANAGEMENT

The Group management comprises CEO Ulf Rostedt, Deputy CEO Mikael Gustavsson and CFO Samuel Wingren.

### GROUP STAFF

Reporting directly to the CEO is a staff that has responsibility within business development, finance, insurance, HR, purchasing, IT, information, law, communications, consolidated accounts and Group-wide administration. Projects that cover all or the majority of the Group's companies are controlled and co-ordinated from here. Within each area, handbooks and policies are drawn up that regulate the work in the subsidiaries.

### AUDITOR

The auditors examine the company's annual accounts, consolidated accounts and accounting records as well as the administration of the Board of Directors and CEO.

To examine the company's annual accounts, consolidated accounts and accounting records as well as the administration of the Board of Directors and CEO, a registered auditing company or one or two auditors, of whom at least one must be authorised, with or without deputy auditors, shall, according to the Articles of Association, be appointed by the Annual General Meeting. The auditors report to the owners at the Annual General Meeting via their auditor's report. The auditors are appointed by the shareholders at the AGM.

The election of auditors within ITAB took place at the 2014 Annual General Meeting and related to the term up to and including the 2015 Annual General Meeting. The company's auditor is the registered auditing company Ernst & Young AB, with authorised public accountant Håkan Sundberg as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Håkan Sundberg also has auditing assignments for e.g. EAB AB and Gislaved Gummi AB.

### DEVIATIONS FROM THE CODE

There are no deviations to report for 2014.

### PRINCIPLES FOR REMUNERATION TO SENIOR EXECUTIVES, INCENTIVE SCHEMES, ETC.

The Board proposes the AGM should decide on procedures for determining salary and other remuneration to the CEO and other members of the executive management. The guidelines decided at the 2014 AGM stipulate that the terms should be market rate. In addition to a basic salary, members of the executive management may receive variable remuneration that is limited to a maximum of three months of salary and result-based against stipulated targets.

Senior executives are to have market-rate, premium-based pension terms and conditions. All members of corporate management may terminate their employment with six months notice. In the event the CEO is given notice by the company, a severance payment corresponding to 18 months of salary will be paid. The Board has the right to deviate from the guidelines should mitigating circumstances so require.

At the 2012 and 2014 Annual General Meetings, it was decided to issue convertible debentures to employees, which also includes the Group management. There are no outstanding share or share price related incentive schemes.

### INTERNAL CONTROLS FOR FINANCIAL REPORTING

According to the Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal controls aimed at protecting the company's assets and thereby the investments of its owners. The internal controls should provide reasonable assurance of an appropriate and effective operation, reliable financial reporting and compliance with laws and ordinances. ITAB's tool for internal controls is based on the COSO framework. The framework streamlines the work with the internal controls.

Over recent years, ITAB has decided to clarify the internal audit function and has released it from current operations. During the year, the internal audit programme has been revised based on the risk map, and there is more focus on business risks. The internal controls have also focused on formalities, procedures and processes linked to relevant rules of procedure and authorisation arrangements.

### FINANCIAL REPORTING

All companies submit monthly reports concerning economic outcomes. The reporting is consolidated and constitutes the basis for quarterly reports and operative follow-up. Operative follow-up follows an established structure in which orders received, invoicing, liquidity, earnings, capital tied-up and other key ratios of importance for the Group are compiled and constitute the basis for analysis and measures from management and controllers at various levels. Other important, Group-wide parts of the internal control include business plans and the annual forecast process. For communication with external parties, the Group has an information policy intended to ensure that all information obligations are complied with, correctly and in full.

### CONTROL ENVIRONMENT

The Audit Committee's primary task is to monitor the accounting and reporting processes and to ensure the quality of these reports and processes. The responsibility for maintaining an effective control environment, day-to-day risk management and internal controls in terms of financial reporting has been delegated to the CEO.

Executives at various levels of the company are in turn responsible within their respective areas. Responsibility and authorisation are defined in the instructions to the CEO, instructions for approval lists, handbooks and other policies and procedures.

The Board determines the Group's policies regarding information, credit and finance. The Group management determines other instructions, and the responsible Group functions issue guidelines and oversee the application of the regulatory framework. The Group's accounting and reporting rules are stipulated in an economy handbook that is available to all accounting staff. Together with laws and other external regulatory frameworks, the organisational structure and internal regulatory frameworks constitute the control environment.

### RISK ASSESSMENT

ITAB works continually with risk analyses as a basis for revising the Group's risk map. Both financial and operational risks are charted. At each meeting, the Audit Committee goes through the relevant risk map and revisions are performed when necessary.

### CONTROL ACTIVITIES

The purpose of control activities is to discover, prevent and correct errors and deviations. Policies and guidelines are particularly important for accurate accounting, reporting and information dissemination and also define which control activities should be conducted. Within ITAB, policies and guidelines are regularly updated, both in writing and at meetings. Control activities include approval routines, reconciliation of accounts, analytical follow-up and control of IT systems.

### FOLLOW-UP

Corporate management and controllers regularly follow up economic and financial reporting, as well as key business events. At each Board meeting, economic performance is monitored against forecasts, and examinations are conducted looking at how well investments are following prepared plans. The Audit Committee regularly evaluates the internal control, the code of corporate governance and significant accounting issues.

### OPINION CONCERNING INTERNAL AUDIT

Over recent years, ITAB has decided to clarify the internal audit function and has released it from current operations. The work with internal control takes place in an internal audit programme that covers all Group companies according to a predetermined plan. Parts of the internal control are regularly examined by the auditors.

## THE COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES, 2014

| Name | Commissions | Remunerations Committee | Audit Committee | Independent in relation to the company and corporate management | Independent in relation to major shareholders | Participation in Board meetings | Participation in Remuneration Committee | Participation in Audit Committee | Board fee including committee remuneration (SEK) |
|---|---|---|---|---|---|---|---|---|---|
| Tord Johansson | Chair | Board member | - | No [1] | No [2] | 10 (10) | 2 (2) | 1 (1) | 340,000 |
| Anna Benjamin | Board member | - | Chair | Yes | Yes | 9 (10) | - | 2 (2) | 190,000 |
| Sune Lantz [3] | Board member | Board member | Board member | Yes | Yes | 7 (8) | 1 (1) | 1 (1) | 140,000 |
| Anders Moberg | Board member | - | - | Yes | Yes | 10 (10) | - | - | 150,000 |
| Fredrik Rapp | Board member | - | Board member | Yes | No [2] | 10 (10) | - | 2 (2) | 180,000 |
| Stig-Olof Simonsson | Board member | - | - | Yes | Yes | 9 (10) | 1 (1) | - | 160,000 |
| Lottie Svedenstedt | Board member | Chair | - | Yes | Yes | 10 (10) | 2 (2) | - | 190,000 |
| Ulf Rostedt | CEO | - | - | No | Yes | 8 (10)[4] | 2 (2)[4] | - | - |
| | | | | | | | | | **1,350,000** |

*1) Tord Johansson works for the company on a consultancy basis.*
*2) Tord Johansson and Fredrik Rapp each controlled, via their own holdings and holdings through companies, more than ten per cent of the shares and votes in ITAB, which according to the Code is not to be viewed as independent in relation to larger shareholders.*
*3) Sune Lantz was elected to the Board in conjunction with the 2014 Annual General Meeting.*
*4) Ulf Rostedt has participated as deputy at Board meetings and at the Remuneration Committee's meeting.*

*More information about the Board and corporate management is provided on pages 82-83.*

**Jönköping, 17 March 2015**

Tord Johansson
Chairman

Anna Benjamin
Board member

Sune Lantz
Board member

Anders Moberg
Board member

Fredrik Rapp
Board member

Stig-Olof Simonsson
Board member

Lottie Svedenstedt
Board member

Ulf Rostedt
CEO

**AUDITOR'S STATEMENT CONCERNING THE CORPORATE GOVERNANCE REPORT**

To the Annual General Meeting of ITAB Shop Concept AB (publ), corporate reg. no. 556292-1089

The Board of Directors is responsible for the Corporate Governance Report for 2014 on pages 78-81 and for ensuring that it is prepared in accordance with the Annual Accounts Act. We have read the Corporate Governance Report and, based on this and our knowledge of the company and the Group, believe we have sufficient grounds for our opinion. This means that our statutory review of the Corporate Governance Report has a different focus and a significantly reduced scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that a Corporate Governance Report has been prepared, and that its statutory information is consistent with the annual accounts and the consolidated accounts.

**Jönköping, 24 March 2015**
**Ernst & Young AB**

Håkan Sundberg
Authorised Public Accountant

# BOARD OF DIRECTORS

**TORD JOHANSSON**
(born 1955)
Chairman of the Board since 2004 (also Board member 1987-1998)
**Degrees:** Degree from Technical University of Linköping
**Principal work experience:**
CEO ITAB Industrier
**Commissions:** Chairman of the Board of XANO Industri AB, Kieryd Gård AB and SW Exergon AB. Board member of Blue Wall Construction AB, Eolus Vind AB, etc.
**Shareholding in ITAB Shop Concept AB:**
Class A: 5,228,800 shares
Class B: 2,992,380 shares

**ANNA BENJAMIN**
(born 1976)
Board member since 2004
**Degrees:** Master in Economics and Finance, Jönköping International Business School
**Principal work experience:**
Business developer ICA Sverige AB, Manager, Pricewaterhouse Coopers and Controller Nobina
**Shareholding in ITAB Shop Concept AB:**
Class B: 631,820 shares

**SUNE LANTZ**
(born 1953)
Board member since 2014
**Degrees:** Economics and auditing
**Principal work experience:**
CEO XANO Industri AB, CEO ITAB Industri AB, auditor and banker.
**Commissions:** Chairman of the Board of AGES Industri AB and Board member of XANO Industri AB, etc.
**Shareholding in ITAB Shop Concept AB:**
Class B: 209,960 shares

**ANDERS MOBERG**
(born 1950)
Board member since 2011
**Principal work experience:**
CEO of the IKEA Group, Royal Ahold N.V. and Majid Al Futtaim Group LLC
**Commissions:** Board chairman of OBH Nordica AB. Board member of Bergendahl & Son AB, Byggmax AB, Ahlstrom Corporation, Hema B.V, ZetaDisplay AB, Rezidor AB, Amor GMBH and Suomen Lähikauppa OY
**Shareholding in ITAB Shop Concept AB:**
Class B: 300,000 shares (endowment policy)

**FREDRIK RAPP**
(born 1972)
Board member since 2013
**Degrees:** Economics graduate
**Principal work experience:**
CEO Pomonagruppen, CEO Telecom
**Commissions:** Chairman of the Board of Borgstena Group AB, Binar AB, Eesti Höövelliist AS, Serica Consulting AB, etc. Board member of Ages Industri AB, Nordic Flow Group AB, PrimeKey Solutions AB, XANO Industri AB, Segulah AB, etc.
**Shareholding in ITAB Shop Concept AB:**
2,160,000 Class A shares
7,903,816 Class B shares

**STIG-OLOF SIMONSSON**
(born 1948)
Board member since 2004
**Degrees:** Bachelor of Arts
**Principal work experience:**
CEO SYSteam
**Commissions:** Chairman of the Board in Simonssongruppen AB, TOSITO Invest AB, etc. Board member of XANO Industri AB etc.
**Shareholding in ITAB Shop Concept AB:**
Class B: 1,074,766 shares

**LOTTIE SVEDENSTEDT**
(born 1957)
Board member since 2009
**Degrees:** Master of Law, Uppsala University
**Principal work experience:**
Regional manager H&M, CEO Inter Ikea Systems A/S, business area manager Ikea of Sweden and CEO Kid Interiør A/S
**Commissions:** Chairman of the Board of K-Utveckling Engineering AB, MiL Institute, Uppstart, Helsingborg. Board member of Byggmax AB, Orango AB, Swedavia AB, Vanna AB and Åhus Studiodata AB.
**Shareholding in ITAB Shop Concept AB:**
Class B: 20,000 shares

## GROUP MANAGEMENT

**ULF ROSTEDT**
(born 1967)
CEO since 2008 and member of Group management.
Employed in ITAB since 1997.
**Degrees:** Graduate engineer in Mechanical Engineering, Institute of Technology, Linköping University
**Principal work experience:**
Deputy CEO ITAB Shop Concept AB, Production and Logistics Manager Eldon
**Other commissions:** –
**Shareholding in ITAB Shop Concept AB:**
Class B: 79,300 shares
Convertibles corresponding to Class B shares: 25,200 and 4,216

**MIKAEL GUSTAVSSON**
(born 1964)
Deputy CEO since 2008 and member of the Group management.
Employed in ITAB since 2003.
(previously employed 1995-1999)
**Degrees:** B.Sc. Economics, Uppsala University
**Principal work experience:**
CEO Holmbergs Industri, CEO Bladhs Medical and Deputy CEO Bladhs plast
**Other commissions:** –
**Shareholding in ITAB Shop Concept AB:**
Class B: 44,000 shares
Convertibles corresponding to Class B shares: 25,200 and 4,216

**SAMUEL WINGREN**
(born 1971)
CFO since 2013 and member of the Group management. Employed in ITAB since 2003.
**Degrees:** Master in Economics and Finance, Jönköping International Business School
**Principal work experience:**
Group Business Controller ITAB, Controller Axenti and Isaksson Gruppen
**Other commissions:** –
**Shareholding in ITAB Shop Concept AB:**
Class B: 27,940 shares
Convertibles corresponding to Class B shares: 25,200 and 4,216

## AUDITORS

**The auditors are appointed by the shareholders at the AGM. The auditors examine the company's annual accounts, consolidated accounts and accounting records as well as the administration of the Board of Directors and CEO.**

The company's auditor is the registered auditing company Ernst & Young AB, with authorised public accountant Håkan Sundberg as auditor with overall responsibility. The appointment is valid until and including the 2015 AGM. Alongside his duties for ITAB Shop Concept AB, Håkan Sundberg also has auditing assignments for EAB AB and Gislaved Gummi AB.

**HÅKAN SUNDBERG**
(born 1970)
Auditor to ITAB since 2009
Authorised Public Accountant
Member of FAR SRS, Ernst & Young AB

Information about the number of shares refers to shareholdings as per 31 December 2014 and includes, where relevant, holdings via companies, spouses and minors.

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# GLOSSARY

**Conveyor belt scales**
A scale in the conveyor belt that automatically weighs the item at checkout.

**Shop concept**
A shop concept comprises all types of fittings and equipment intended for displaying and storing goods in shops.

**CAD system**
A CAD system is an advanced piece of software for producing product drawings.

**EasyFlow**
A fully automatic self-checkout system that is based on barcode-free identification of goods.

**Entrance systems & Queue management systems**
Entrance systems comprise e.g. gates, posts and partitions commonly found in shop entrances. Queue management systems are systems of rails and posts that guide customers to the checkout.

**ExitFlow**
An automatic gate specially adapted for ITAB's self-checkout system.

**LED**
Stands for Light-emitting-diodes.

**MoveFlow**
A self-checkout system specially designed for stores where customers primarily use shopping baskets and the number of items per customer is low.

**Radar systems, Photocell systems and Ceiling or movement sensors**
Radar systems, photocell systems and ceiling or movement sensors are different names for movement detectors that open the entrance gates.

**SCO**
SCO stands for Self-Checkout.

**Self-checkout**
Self-checkout lets the consumer quickly, conveniently and reliably check and scan their items themselves at the checkout.

**Third-customer feature**
The third-customer feature is a support system for the checkout that allows a third customer to start the purchasing process while the first two customers are still packing their items.

**TwinFlow**
A self-checkout system adapted for retail chains where customers primarily use shopping trolleys and the number of items per customer is high.

itab.se

- Download or order copies of the financial statements on ITAB's website.

# WELCOME TO THE 2015 ANNUAL GENERAL MEETING

**The Annual General Meeting will be held on 4 May 2015, at 3 pm in ITAB's offices at Instrumentvägen 2 in Jönköping, Sweden.**

**NOTIFICATION OF PARTICIPATION**

Shareholders wishing to participate in the Annual General Meeting must be registered in the shareholders register maintained by the securities register centre Euroclear Sweden AB (formerly VPC AB) on Monday 27 April 2015, and must notify the company of their intention to participate in the Meeting not later than 4 pm on Monday 27 April 2015 to the address ITAB Shop Concept AB, Box 9054, SE-550 09 Jönköping, by phone on +46 (0)36 31 73 00 or by email at ir@itab.se or via the form at www.itab.se. The notification is to include the participant's name, social security number/corporate identity number, address, daytime telephone number and the number of owned shares.

Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names before Monday 27 April 2015 to be eligible to participate in the Meeting.

**DIVIDENDS**

The Board of Directors proposes a dividend of SEK 2.50 per share for the 2014 financial year. The record date will be Wednesday 6 May 2015. Subject to the Meeting's approval of the proposal, it is expected that dividends will be remitted by Euroclear Sweden AB on Monday 11 May 2015.

**NOMINATION COMMITTEE**

At the 2014 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Johan Storm. The Nomination Committee's task for the 2015 AGM is to propose candidates for Chairman of the Board and Board members, for the post of Meeting chairman, as well as fees and other remuneration for the Board and auditors.

**AGENDA**

The Meeting will address the issues that the Swedish Companies Act and the Articles of Association require be brought before an Annual General meeting, such as presentation of the annual report and auditors' report, resolutions on the adoption of the income statement and balance sheet, discharge from liability for Board members and the CEO, and the election of Board members. Other matters are presented in the agenda, which will be sent together with the invitation to the Annual General Meeting.

# FINANCIAL STATEMENTS FOR 2015

| | |
|---|---|
| Interim report, January - March | 4 May |
| Annual General Meeting 2015 | 4 May |
| Interim report, January - June | 9 July |
| Interim report, January - September | 3 November |
| Year-end report 2015 | 9 February 2016 |
| Annual Report 2015 | March/April 2016 |
| Annual General Meeting 2016 | May 2016 |

BRANDLY Photos: Patrik Svedberg and others. | Printed by: Vettertryck

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