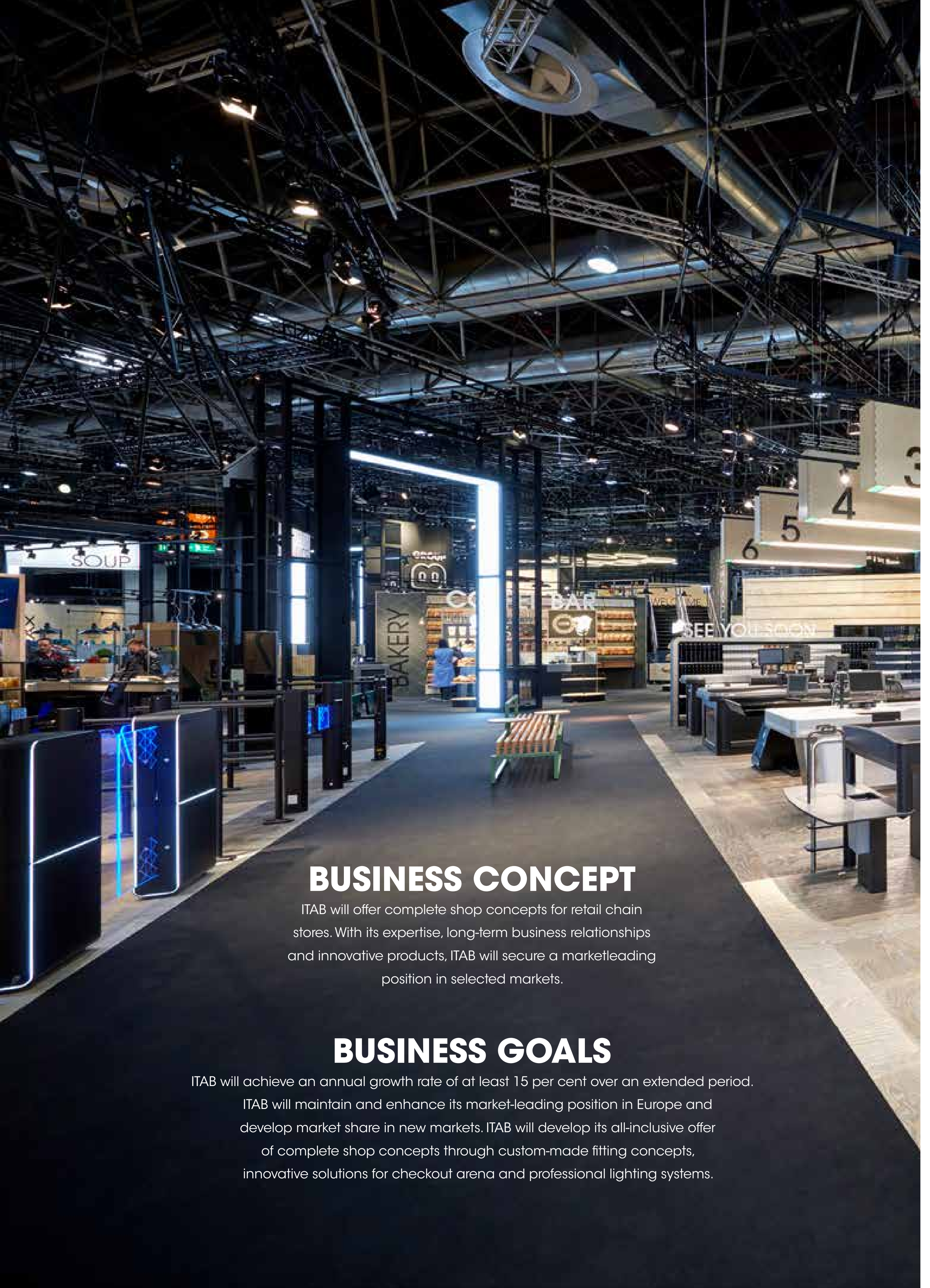
ITAB


# 2016
# ANNUAL REPORT




# 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 marketleading 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 Europe and develop market share in new markets. ITAB will develop its all-inclusive offer of complete shop concepts through custom-made fitting concepts, innovative solutions for checkout arena and professional lighting systems.


Creating the ultimate shopping experience, close to you

# 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 major players throughout most of Europe.**

### ITAB's ALL-INCLUSIVE OFFER

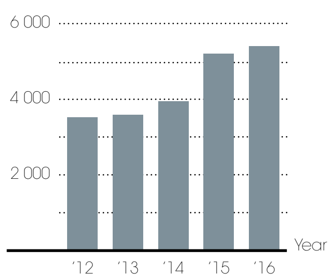

▶ **ITAB SHOP CONCEPT** is a leader in the market for retail checkouts in Europe and is also one of Europe's leading suppliers of shop fittings and lighting systems.

### CONTENTS



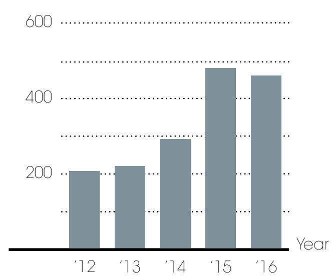
*This document is a translation of the official annual report for ITAB Shop Concept AB published in Swedish. In the event of discrepancy between the English text and the Swedish, the Swedish text shall prevail.*


## NET SALES (SEK million)




**SEK 5,417 MILLION**

## PROFIT AFTER FINANCIAL ITEMS (SEK million)




**SEK 456 MILLION***

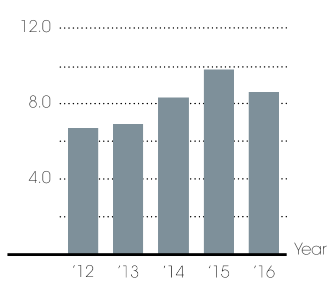
## PRODUCTION FACILITIES

**21 (in 15 countries)**

## OWN ACTIVITIES

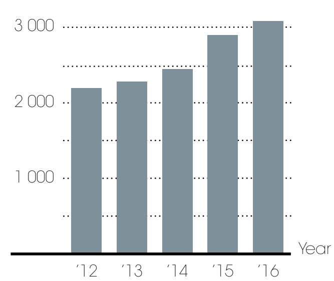
**28 countries**

## OPERATING MARGIN (%)




**8.6%***

## NUMBER OF EMPLOYEES (average)




**3,097 PEOPLE**

## WORKING MODEL


**4,925 SHAREHOLDERS**

**69%** **31%**

*Excl. acquisition, integration and restructuring costs of SEK 95 million during 2016.*

▶ **IN ORDER TO DEVELOP AND NURTURE** long-term business relations, ITAB has long worked according to a model that is aimed at co-operating 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 2016 IN BRIEF

**The Group has had one of its best years to date, both in respect of sales and earnings, excluding non-recurring costs. ITAB is continuing to advance its position from a strategic perspective, and has completed its largest acquisition to date during the year. Several customers are choosing to use a larger proportion of the all-inclusive offer in order to achieve a more efficient store refurbishment process, which is in line with ITAB's business strategy of offering complete shop concepts.**

## LARGEST ACQUISITION TO DATE

- La Fortezza Group, one of southern Europe's leading players within shop fittings, which has its head office in Bologna, Italy, was acquired during the year. Through the acquisition, ITAB has gained market presence throughout Europe.

**5 417**

- **NET SALES** rose by 4% to SEK 5,417 million (5,193)

## ITAB GROUP IN FIGURES

| | | 2016 | 2015 |
|---|---|---|---|
| Net Sales | SEK million | 5,417 | 5,193 |
| Growth | % | 4 | 32 |
| Operating profit[1)] | SEK million | 466 | 508 |
| Operating margin[1)] | % | 8.6 | 9.8 |
| Profit after net financial items[1)] | SEK million | 456 | 476 |
| Profit after tax | SEK million | 260 | 374 |
| Earnings per share | SEK | 2.36 | 3.44 |
| Dividends per share[2)] | SEK | 1.75 | 1.67 |
| Equity per share | SEK | 14.77 | 14.38 |
| Return on equity | % | 16.5 | 26.2 |
| Portion of risk-bearing capital | % | 35.7 | 50.3 |
| Share price at the end of the period | SEK | 81.25 | 100.67 |
| Average number of employees during the year | no. | 3,097 | 2,829 |
| Equity/assets ratio | % | 30.7 | 46.7 |
| Net liability | SEK million | 1,722 | 721 |

*1) Excl. acquisition, integration and restructuring costs of SEK 95 million.*
*2) The Board's proposal for dividends for the 2016 financial year.*

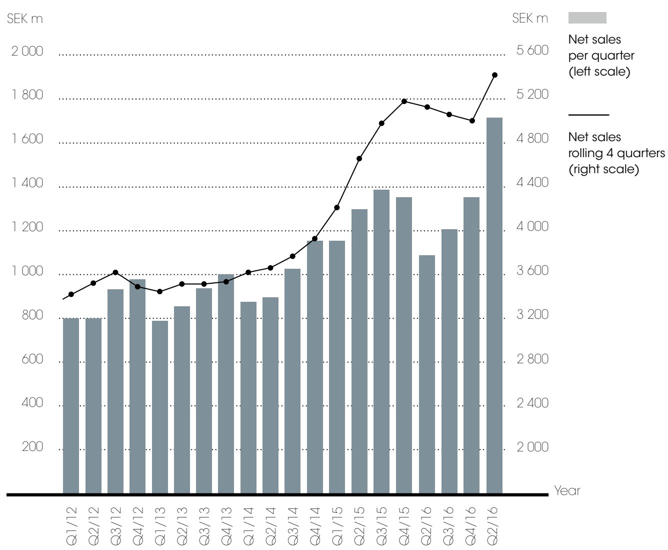
## SUMMARY 2016

- **NET SALES ROSE** by 4% to SEK 5,417 million (5,193)
- **OPERATING PROFIT** fell by 8% to SEK 466 million (508) excl. acquisition, integration and restructuring costs.
- **OPERATING PROFIT** fell by 27% to SEK 371 million (508).
- **PROFIT AFTER FINANCIAL ITEMS** fell by 4% to SEK 456 million (476) excl. acquisition, integration and restructuring costs.
- **PROFIT AFTER FINANCIAL ITEMS** fell by 24% to SEK 361 million (476).
- **EARNINGS PER SHARE** rose by 31% to SEK 2.36 (3.44).

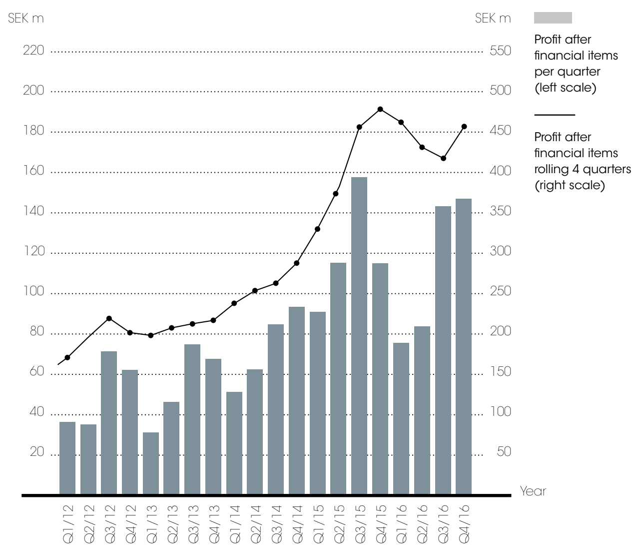
## PRODUCTION UNIT IN BELGIUM CLOSED

- During the year, streamlining and rationalisation measures have been implemented within the Group as a result of the acquisitions that have been made. ITAB's production unit in Belgium is therefore being closed and existing production is being relocated to the Group's other manufacturing units.

**NET SALES (SEK million)**




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




## Q1

**SALES**
SEK 1,089 million (1,151)

**OPERATING PROFIT**
SEK 81 million (95)

**PROFIT BEFORE TAX**
SEK 76 million (90)

## Q2

**SALES**
SEK 1,209 million (1,299)

**OPERATING PROFIT**
SEK 90 million (123)

**PROFIT BEFORE TAX**
SEK 84 million (115)

## Q3

**SALES**
SEK 1,353 million (1,389)

**OPERATING PROFIT***
SEK 153 million (168)

**PROFIT BEFORE TAX***
SEK 149 million (157)

## Q4

**SALES**
SEK 1,766 million (1,354)

**OPERATING PROFIT***
SEK 142 million (122)

**PROFIT BEFORE TAX***
SEK 147 million (114)

**Excl. acquisition, integration and restructuring costs of SEK 95 million, of which SEK 89 million was charged in Q4.*

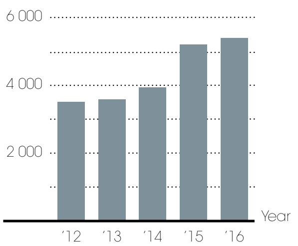
## IMPORTANT EVENTS IN 2016

- **Q1.** ITAB has entered into an agreement with Co-operative Group in the UK regarding the supply of shop fittings for the chain’s stores in the British market. The estimated value of the deal is SEK 300 million over a three-year period, and the agreement also covers installation and project management.
- **Q2.** ITAB has acquired Lichtspiel Lichtprojekte & Design in Germany. The company had a turnover of approx. EUR 4 million in 2015 and the purchase price was EUR 2.3 million cash with an additional purchase sum of max. EUR 0.3 million based on the company’s profit in 2016.
- ITAB has acquired MB Shop Design AB in Hillerstorp. The purchase price for the shares was SEK 106 million. The company had a turnover of SEK 140 million in 2015 and has 75 employees.
- ITAB has acquired Pikval Group in Finland and its subsidiaries in Finland, Sweden and Norway. The purchase price for the shares was equivalent to EUR 6.5 million on a debt-free basis. The company had a turnover of EUR 17 million in 2015 and has around 100 employees.
- **Q4.** ITAB has acquired La Fortezza Group, one of southern Europe’s leading players within shop fittings, which has its head office in Bologna, Italy. The Group also has operations in France, Spain, Portugal, Russia, Argentina, Dubai and Malaysia.
- ITAB has entered into a five-year agreement with one of Europe’s major non-food chains regarding shop lighting, with an estimated value of up to SEK 500 million. The agreement means that, through its global presence, ITAB will replace the existing lighting in several hundred stores with energy-saving LED technology.
- With the aim of creating future synergies, ITAB has implemented streamlining and rationalisation measures within the Group as a result of the acquisitions that have been made during the year. The costs during the year amount to approx. SEK 95 million and are made up of acquisition, integration and restructuring costs, including the planned closure of ITAB’s manufacturing unit in Belgium and the merger of two production units in Finland.

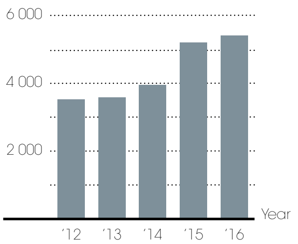
# CEO ULF ROSTEDT ON 2016

**ITAB has made its largest acquisition to date during the year, and is continuing to advance its position from a strategic perspective. Several customers are choosing to use a larger proportion of our all-inclusive offer in order to achieve a more efficient store refurbishment process, which is in line with ITAB's business strategy of offering complete shop concepts. Our offer is competitive and we will continue to develop our concept in order to create more effective and more attractive shop environments for our customers.**

**NET SALES (SEK MILLION)**




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




## MARKET TRENDS

Currency-adjusted sales, including the acquisitions made during the year, increased by 7%. ITAB's global presence is becoming more important, as several of our customers are expanding across large parts of the world. Our latest long-term agreement within lighting is a collaboration between several companies in the Group. Our global presence was decisive for the scope and length of the agreement, entailing stability for both the customer and ourselves. The acquisition of La Fortezza is another part of our efforts to strengthen our market presence. In parallel with this, we can see continued opportunities to develop our position in existing markets.

## LARGEST ACQUISITION TO DATE

We have made our largest acquisition to date during the year. La Fortezza has been integrated into the Group as from 1 October, and sales during the quarter amounted to approximately SEK 300 million, which is in line with our expectations. La Fortezza currently holds a leading position in the southern European market, and has long-term business relations with several of southern Europe's major retail chains. Thanks to this acquisition, La Fortezza can offer its customers ITAB's product portfolio, with products primarily in the checkout arena and professional lighting systems.

During the year, we have also conducted a number of other acquisitions that complement our existing business. Through the acquisition of Pikval in Finland and MB Shop Design in Hillerstorp, Sweden, we are strengthening our expertise and market position within concept sales, primarily in the Finnish and Scandinavian markets. Through the acquisition of Lichtspiel in Germany, we are intensifying our marketing activities regarding lighting in the German and Central European markets.

The acquisitions are in line with the Group's continued focus on sales of all-inclusive concepts to the retail trade.

## ACTIVITIES FOR FUTURE SYNERGIES

In order to realise future synergies from our completed acquisitions, the Group has had costs of a non-recurring nature totalling approximately SEK 95 million during the year. These are made up of acquisition, integration and restructuring costs, including the planned closure of the manufacturing unit in Belgium and the merger of two production units in Finland.

## SUSTAINABILITY FOR BUSINESS BENEFITS

Consumers are increasingly expecting retailers to assume responsibility for the entire supplier chain. Sustainable manufacturing processes, good working conditions and a sustainable choice of materials and raw materials are being demanded to an ever greater extent. Retail chains are placing increased demands on their suppliers, and this also includes the manufacture of shop concepts.

During the year we have taken a firmer grip of our sustainability work at Group level. For many years, we have taken the sustainability aspect into consideration as early as the product development phase within the companies. Our organisational model, with our own local, flexible manufacturing coupled with centralised volume production, provides us with advantages as we have control over the production and logistics process. We hope and believe that this will be an important aspect in future business operations, and we view it as a competitive advantage.

## A UNIQUE ALL-INCLUSIVE OFFER

ITAB is now able to 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. 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. We will continue to develop our offer in order to create more effective and more attractive shop environments for our customers.

## ITAB PRESENTED SHOP SOLUTIONS OF THE FUTURE AT EUROSHOP

At the beginning of March 2017, we took part in Euroshop in Düsseldorf, one of the world's largest interior fitting trade fairs for the retail sector. We were one of the leading players and presented several products and solutions for the shops of the future. For example, the solutions include entirely new capability to control of the shop environment, with lighting, sound and images integrated into a wireless network. Our self-checkout for fashion is a new step for the fashion industry. We also presented Pick&Go with AirFlow. With this concept, technology is being transferred from our automated checkout, EasyFlow out into the shop, and the system means that goods are registered immediately when picked by the consumer. AirFlow and AmazonGo have a lot in common.

## FUTURE PROSPECTS

The efficiency measures that have been conducted during the year, with particular focus on Belgium and Finland, put us in a good position ahead of 2017. We will continue the work of integrating La Fortezza into the Group. The long-term work aimed at streamlining all parts of the operation in order to improve our offer will continue. Our sales in the local currency in the UK have not been affected by Brexit to any appreciable extent to date, although we are monitoring developments carefully. We are also monitoring the trend in steel prices, rapid exchange rate fluctuations and the general political situation, which can alter the dynamics of our marketplace.

Thanks to our experience, we have considerable confidence in our all-inclusive concept for the years ahead. We will continue to develop our digital solutions for the shops of the future, as well as our sustainability work. Our all-inclusive offer, alongside our working model and geographic presence, will lead to better business both for ITAB and our customers.

Finally, I would like to take this opportunity to extend a warm thank you to all ITAB Group employees for your dedication and your loyalty in 2016. Thank you also to our customers, business partners and shareholders.

Ulf Rostedt
CEO and Group President
ITAB Shop Concept AB

# THE ITAB SHARE

**ITAB's Class B shares were registered on the stock exchange on 28 May 2004 after being spun-off from ITAB Industri AB (now Xano Industri AB). The share is listed on NASDAQ Stockholm in the Mid Cap segment. The share capital in ITAB amounts to SEK 42.66 million distributed between 22,166,400 Class A shares and 80,217,030 Class B shares, a total of 102,383,430 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 0.417 per share.**

### 3:1 SPLIT OF SHARES

At the AGM on 11 May 2016, a decision was adopted to split the company's shares 3:1, which means that each previous share was divided into three shares of the same type. All figures have been converted with regard to the split.

### SHARE PRICE DEVELOPMENT

During 2016, ITAB's share price fell by 19 per cent from SEK 100.67 to SEK 81.25. Based on the closing price on 31 December 2016, the total value stood at SEK 8,319 million. The highest price paid during the year was quoted on 4 January 2016 at SEK 98.67 and the lowest price was quoted on 28 June at SEK 62.75.

### SHAREHOLDERS

The ten largest shareholders held 91.85 per cent (91.67) of the votes and 75.96 per cent (75.26) of the capital. Institutional ownership made up 5.78 per cent (3.08) of the votes and 17.05 per cent (9.44) of the capital.

**1.75**

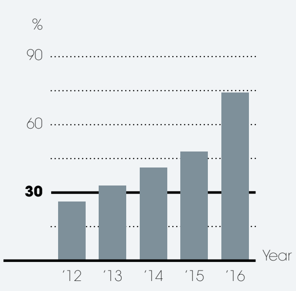
**DIVIDEND.** The Board of Directors proposes to the annual general meeting a dividend of SEK 1.75 per share (1.67) for the 2016 financial year.

## DIVIDEND POLICY

- The Board of Directors proposes to the annual general meeting a dividend of SEK 1.75 per share (1.67) for the 2016 financial year. The total dividend amounts to SEK 179,171 thousand (169,532 thousand) based on the number of shares on 31 December 2016.
- ITAB's dividend policy states that share dividends will, over an extended period, mirror the company's earnings and correspond to at least 30% of the company's profit after tax. The dividend will, however, be adjusted to the company's investment needs and share repurchase schemes when relevant.

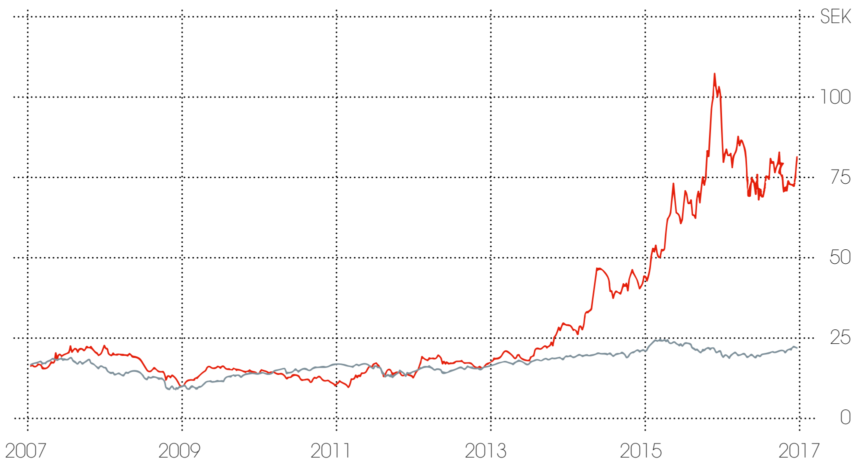
**DIVIDEND (SEK)**


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



▶ **MORE THAN 10 YEARS ON THE STOCK EXCHANGE AS ITAB SHOP CONCEPT AB.** On 28 May 2004, ITAB Shop Concept AB was listed on First North after having been spun-off from ITAB Industri AB, and the average price on the first day was approximately SEK 5.

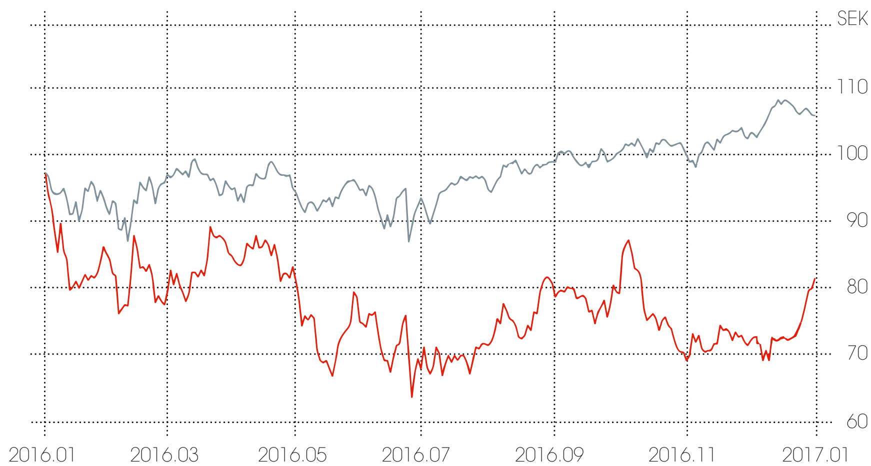
▼ **SHARE PERFORMANCE OVER 10 YEARS**




## SHARE DATA 31/12/2016

- **SHARE PRICE ON CLOSING DAY**
  SEK 81.25 per share
- **ALL TIME HIGH (UP TO AND INCLUDING 2016)**
  SEK 112.33 (03/12/2015)
- **TRADING LOT** 1 share
- **LISTING** Nasdaq
  Stockholm's Mid Cap list
- **TICKER SYMBOL** ITAB B
- **SECTOR CLASSIFICATION**
  Industrial Goods & Services
- **ISIN-KOD** SE0008375117

▼ **SHARE PERFORMANCE, 2016**




ITAB Shop Concept is listed on Nasdaq Stockholm.
■ ITAB Shop Concept B ■ OMX Stockholm PI

## INVESTMENT CASE – INVEST IN ITAB

▶ **SHARE PERFORMANCE AND DIVIDEND.** The average price on the first trading day, 28 May 2004, was SEK 5, compared to SEK 81.25 which was the most recent price paid in 2016. Share dividends have been paid out in every year the company has been listed. Including the proposed dividend relating to the 2016 financial year, the combined dividend since 2004 amounts to SEK 6.60 per share.

▶ **ITAB's ABILITY TO EXPAND PROFITABLY THROUGH BOTH ORGANIC GROWTH AND VIA ACQUISITIONS.** Over the past ten years, average growth has been about 12% per year. The operating margin has grown to 8.6% in 2016 adjusted for non-recurring costs. *Read more on pages 16-19.*

▶ **STRONG MARKET POSITION IN EXISTING MARKETS.** ITAB is now one of the leading players in Europe, with operations in 28 countries.
*Read more on pages 20-23.*

▶ **UNIQUE MARKET POSITION AND STRATEGIC APPROACH WITH SELF-CHECKOUT CONCEPTS AND LIGHTING SYSTEMS.** ITAB's offer of self-checkout solutions and lighting systems will be prioritised investment areas for the retail sector in future.
*Read more on pages 24-35.*

## SHAREHOLDERS, 31/12/2016

| Name | Number of shares | Class A shares | Class B shares | No. of votes | Percentage of votes (%) | Percentage (%) of share capital |
|---|---|---|---|---|---|---|
| Petter Fägersten with family and companies | 17,640,774 | 15,686,400 | 1,954,374 | 158,818,374 | 52.61% | 17.23% |
| Pomona-gruppen AB | 30,191,448 | 6,480,000 | 23,711,448 | 88,511,448 | 29.32% | 29.49% |
| Anna Benjamin with family and companies | 10,858,620 | | 10,858,620 | 10,858,620 | 3.60% | 10.61% |
| Handelsbanken Fonder | 5,771,750 | | 5,771,750 | 5,771,750 | 1.91% | 5.64% |
| Kennert Persson | 3,787,200 | | 3,787,200 | 3,787,200 | 1.25% | 3.70% |
| Stig-Olof Simonsson with company | 3,224,298 | | 3,224,298 | 3,224,298 | 1.07% | 3.15% |
| DnB - Carlson Fonder | 1,876,408 | | 1,876,408 | 1,876,408 | 0.62% | 1.83% |
| Carnegie Fonder | 1,742,218 | | 1,742,218 | 1,742,218 | 0.58% | 1.70% |
| Cliens Fonder | 1,507,086 | | 1,507,086 | 1,507,086 | 0.50% | 1.47% |
| Försäkringsaktiebolaget Avanza pension | 1,162,833 | | 1,162,833 | 1,162,833 | 0.39% | 1.14% |
| Other | 24,620,795 | | 24,620,795 | 24,620,795 | 8.15% | 24.04% |
| | **102,383,430** | **22,166,400** | **80,217,030** | **301,881,030** | **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 31/12/2016 was 5.94% (3.08%) of the voting rights and 17.53% (9.44%) of the share capital. Information about the number of shares refers to shareholdings as per 31/12/2016 and includes, where relevant, holdings via companies, spouses and minors.*

## DISTRIBUTION OF SHARES 31/12/2016

| Share holding | No. of shareholders | No. of shareholders (%) | Number of shares | Number of shares (%) |
|---|---|---|---|---|
| 1-1 000 | 3,423 | 69.50% | 829,228 | 0.81% |
| 1,001-5,000 | 958 | 19.45% | 2,214,805 | 2.16% |
| 5,001-10,000 | 251 | 5.10% | 1,820,707 | 1.78% |
| 10,001-50,000 | 208 | 4.22% | 4,224,411 | 4.13% |
| 50,001-100,000 | 38 | 0.78% | 2,524,482 | 2.47% |
| 100,001- | 47 | 0.95% | 90,769,797 | 88.65% |
| **TOTAL** | **4,925** | **100.00%** | **102,383,430** | **100.00%** |

## 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 |
| 2016 | 3.1 split | - | 42,383 | 101,719,230 | 0.417 |
| 2016 | Conversion | 277 | 42,660 | 102,383,430 | 0.417 |

## KEY RATIOS

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Regular dividend | 1.75[1] | 1.67 | 0.83 | 0.50 | 0.42 |
| Dividend as a percentage of net earnings | 74[1] | 48 | 41 | 33 | 26 |
| Average number of outstanding shares | 102,706,876 | 101,719,230 | 101,719,230 | 101,719,230 | 96,839,874 |
| Actual number of shares at year-end | 102,383,430 | 101,719,230 | 101,719,230 | 101,719,230 | 101,719,230 |
| Share price on closing day (SEK) | 81.25 | 100.67 | 43.67 | 28.67 | 16.92 |
| Market capitalisation at the end of the year (SEK m) | 8,319 | 10,240 | 4,442 | 2,916 | 1,721 |
| Highest/Lowest price | 98.67/62.75 | 112.33/42.75 | 51.33/25.25 | 30.33/16.75 | 20.00/12.12 |
| Direct yield (%) | 2.2 | 1.7 | 1.9 | 1.7 | 2.5 |
| Earnings per share | 2.36 | 3.44 | 2.01 | 1.50 | 1.58 |
| Equity per share | 14.77 | 14.38 | 12.05 | 9.80 | 8.70 |

[1] *The Board's proposal for dividends for the 2016 financial year*

## CONVERTIBLE DEBENTURE LOANS

**In order to provide employees at ITAB with the potential to participate in the Group's development, all employees in 2014 and 2016 were offered the chance to participate in convertible debenture schemes, both with a duration of four years. Both convertible debenture schemes were 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 total value of SEK 30 million. The allocation totalled 602,004 convertibles, and during the period 1 June 2018 to 11 June 2018 each convertible can be converted to Class B shares at a conversion rate of SEK 49.83 (a recalculation has taken place as a result of the implemented share split).
- During the period 26 May to 8 June 2016, a subscription for convertible shares was carried out in which all ITAB employees had the right to subscribe, for a total value of SEK 167.7 million. The allocation totalled 1,950,000 convertibles, and during the period 1 June 2020 to 12 June 2020 each convertible can be converted to Class B shares at a conversion rate of SEK 86.

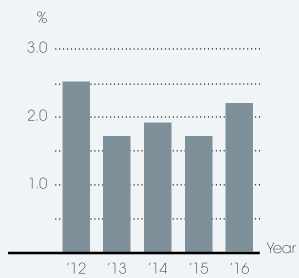
### NUMBER OF SHARES AND RESULTS WITH CONVERTIBLE DEBENTURE LOANS

| | 2016 | 2015 |
|---|---|---|
| Average number of outstanding shares | | |
| before dilution (shares) | 102,076,876 | 101,719,230 |
| after dilution (shares) | 104,935,434 | 104,272,452 |
| Actual number of shares at year-end | | |
| before dilution (shares) | 102,383,430 | 101,719,230 |
| after dilution (shares) | 104,935,434 | 104,272,452 |
| Earnings per share | | |
| before dilution (SEK) | 2.36 | 3.44 |
| after dilution (SEK) | 2.33 | 3.37 |

### REPURCHASE OF CONVERTIBLE DEBENTURES 2012/2016

During 2012, convertible bonds with a nominal value of SEK 40 million were issued to employees in the ITAB Group. This loan expired on 30 June 2016. Following a decision at the Annual General Meeting on 11 May 2016, all holders were given the option of selling the convertibles back to the company at an estimated market value. Holders of a nominal SEK 25.9 million decided to accept this offer. A further nominal SEK 0.5 million was repaid on the maturity date. Holders of a nominal SEK 13.6 million converted their claim to new shares. Through the conversion, 664,200 new Class B shares were issued. The dilution amounted to 0.6% of the share capital and 0.2% of the number of votes.

### DIRECT YIELD (%)




### EQUITY PER SHARE (SEK)


### EARNINGS PER SHARE (SEK)


*For definitions, see page 48.*

# FROM FOUNDATION TO DRIVING FORCE TO ACHIEVE THE GOALS

## DRIVER

*"Creating the ultimate shopping experience, close to you"*

## 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

- At least 15% growth per year over an extended period.
- Maintain and enhance the market-leading position.
- Continue to develop the all-inclusive offer.

## STRATEGIC DIRECTION

- Expansion in selected markets
- Long term business relationships
- Market expertise and innovativeness
- All-inclusive solutions
- Highly efficient and flexible production resources
- Expertise, commitment and a businesslike attitude

## VALUES

Think Ahead
Think Consumer
Think Together

ACT!

## FOUNDATION

Entrepreneurship

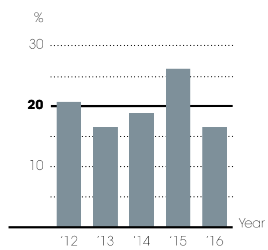
Consciousness

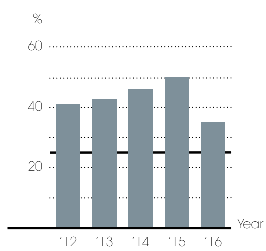
## ITAB's BUSINESS GOALS

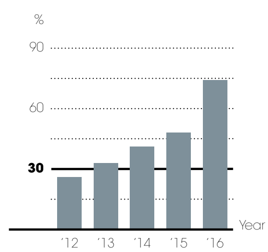
| GROWTH GOALS | DESCRIPTION | REALISATION |
|---|---|---|
| ▶ ITAB will achieve an annual growth rate of at least 15% over an extended period. | The target includes both organic and acquired growth. Organic growth will be accomplished through greater market shares and product development. Acquisitions will be made of both complementary businesses and in new markets. | Sales increased by about 4% in 2016. Over the past five years, average growth was about 11% per year. |
| ▶ ITAB will maintain and enhance its market-leading position in Europe and develop market share in new markets. | 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". ITAB will use its strong position in the 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 2016. Through the acquisition of La Fortezza Group, ITAB is now one of the leading players in Europe and also has a local market presence in Southern Europe. As part of its work of following major customers into new markets, ITAB now has operations in Asia, South America and the USA. |
| ▶ ITAB will develop its all-inclusive offer of complete shop concepts through custom-made fitting concepts, innovative solutions for checkout arena and professional lighting systems. | This goal is linked to ITAB's business concept, which states "ITAB will offer complete shop concepts for retail chain stores". 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 many years. In recent years, ITAB has extended its offer with both professional lighting systems and self-checkout systems, and is constantly developing this offer. ITAB is now a one-stop supplier of complete shop concepts. |

## ITAB's FINANCIAL GOALS

| GOALS | DESCRIPTION | REALISATION |
|---|---|---|
| ▶ **RETURN ON EQUITY** 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 2016, return on equity reached 16.5%. Over the past five years, return on equity has averaged about 20%. |
| ▶ **RISK-BEARING CAPITAL** ITAB will have at least 25% 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 of risk-bearing capital was 35.7% at 31 December 2016. Over the past five years, the proportion of risk-bearing capital has varied between 35.7% and 50.3%. |
| ▶ **DIVIDENDS** ITAB's share dividends will, over an extended period, mirror the company's earnings and correspond to at least 30% of the company's profit after tax. The dividend will, however, be adjusted to the company's investment needs and share repurchase schemes when relevant. | 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 2016 financial year is SEK 1.75, which corresponds to approximately 74% of the earnings per share. Over the past five years, the dividend proportion has varied between 26% and 74%. |



▶ **STRATEGIC DIRECTION: EXPANSION IN SELECTED MARKETS.**
ITAB will use its leading position in Europe to cultivate conditions for further growth and expansion in other selected markets.

# ENTREPRENEURSHIP AS A BASIS FOR EXPANSION

▶ **THE CLIENT BASE,** the product portfolio and geography have all been important elements for growth.

**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.**

## ITAB'S FOUNDATION

The foundations for ITAB were laid when the entrepreneur Tord Johansson conducted his degree project at the neon tube manufacturer ITAB at the end of the 1970s. The company was experiencing difficulties at the time, and when his work, including his opinions on change, was presented to the owners, he was offered the opportunity to purchase the majority of the company. Tord accepted the offer and became the company's majority shareholder.

The first tasks were to convince the bank to continue its co-operation and to extend the customer base. The work of cultivating customers outside of Sweden was initiated. Product development based on existing technology was launched, in order to increase the product range and have the opportunity to sell to more sectors. The company began adapting products to the market in a way that had not been done before. Major business challenges were tackled in order to increase sales and improve profitability. Between the years 1979-1984, turnover doubled every year.

In 1987, the company acquired companies in another sector. Acquisitions along this line continued, forming three branches of a corporate group that was then known as ITAB Industri, now Xano Industri.

During the 1990s, companies were acquired outside of Sweden, in Norway and Denmark. Several acquisitions were made and the interior fittings segment continued to grow.

The expansion continued, and in 2004 the interior fittings segment split away from ITAB Industri, forming ITAB Shop Concept as a separate group that was listed on First North.

The company experienced a downturn in profitability during the period 2008/2009, after which it began focusing even more on profitability improvement and product development measures. This became an important launching pad for the journey of growth and profitability that the Group has made. Resolute and gradual growth has produced a group with market presence in large parts of Europe. The client base, the product portfolio and geography have all been important elements for growth.

## ACQUISITION OF COMPANIES WITH SIMILAR ORIGINS

Over the years, ITAB has continued to acquire companies, often built up by entrepreneurs with strong operational concepts and visions. The ability always to see opportunities has been a powerful driving force among the managers in the organisation.

The Group has been characterised by a positive attitude, a desire to collaborate and dedication. The foundation for the Group's growth has been the development, in close co-operation with the customer, of new shop solutions and systems for more effective and more attractive shops. 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 in Europe. ITAB is now one of the strongest players in Europe.

## ACQUISITION OF LA FORTEZZA

As part of its strategy, ITAB has expanded into southern Europe during the year thanks to its largest acquisition to date. La Fortezza Group is one of southern Europe's leading players within shop fittings, and has its head office in Bologna, Italy.

The Group also has operations in France, Spain, Portugal, Russia, Argentina, Dubai and Malaysia.

La Fortezza was established in 1962 and has long-term business relations with several of southern Europe's major retail chains. Just as with ITAB, part of its strategy has been to move into new markets in line with its customers' expansions.

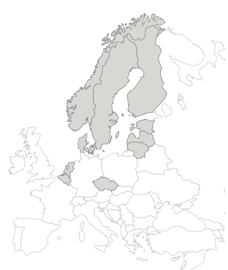
La Fortezza conducts production and sales, as well as project management for concept shopfitting. The group has its own production facilities in Italy, France, Russia and Argentina.

### 1998

**▶ 1990–1998**

- Acquisition of ITAB Shop Concept Jönköping
- Acquisition of ITAB in Norway
- Acquisition of ITAB Denmark
- Acquisition of ITAB Finland
- Acquisition of ITAB Guidance

### 2004



**▶ 1999–2002**

- Acquisition of ITAB Shop Concept Holland
- 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 Skandinavisk Inredning (now included in ITAB Shop Concept Nässjö)
- Acquisition of Lindco AS in Norway
- The ITAB Shop Concept AB Group Is hived off from ITAB Industrier and listed on First North

### 2006

**▶ 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

### 2008

**▶ 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 Guidance)
- Stock exchange list transfer to Nasdaq Stockholm

## ITAB's MARKET PRESENCE AND BUSINESS ACTIVITIES

- Market presence
- Head office
- Offices/Sales companies
- Production facility

**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
- Establishment of company in Chile
- Establishment of company in India
- Establishment of company in Hungary
- Acquisition of New Store Europe's bankrupt estate in Sweden, Norway and the Netherlands, as well as NSE's companies in Denmark
- Acquisition of Profile Lighting in the UK
- Acquisition of Eurolys in Norway
- Acquisition of Reklamepartner in Norway
- Establishment of operation in Brazil

**2015**
- Acquisition of JPD in Latvia
- Establishment of company in France

**2016**
- Acquisition of LICHTSPIEL Lichtprojekte und Design GmbH in Germany
- Acquisition of MB Shop Design in Hillerstorp, Sweden
- Acquisition of Pikval Group in Finland
- Acquisition of La Fortezza Group with operations in Italy, France, Argentina and Russia.

## KEY RATIOS 2007-2016

| Key ratios | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales, SEK million | 5,417 | 5,193 | 3,938 | 3,574 | 3,511 | 3,341 | 2,748 | 2,776 | 3,412 | 2,430 |
| Average number of employees | 3,097 | 2,829 | 2,441 | 2,277 | 2,194 | 1,751 | 1,512 | 1,555 | 1,658 | 1,294 |
| Operating margin, %*) | 8.6 | 9.8 | 8.3 | 6.9 | 6.7 | 5.7 | 2.2 | 4.1 | 5.7 | 6.4 |
| Profit margin, %*) | 8.4 | 9.2 | 7.3 | 6.1 | 5.8 | 4.6 | 1.1 | 3.3 | 4.1 | 5.4 |
| Equity related to the Parent Company's shareholders, SEK million | 1,512 | 1,463 | 1,225 | 997 | 885 | 559 | 459 | 534 | 507 | 391 |
| Risk-bearing capital, SEK million | 1,896 | 1,667 | 1,406 | 1,128 | 1,020 | 886 | 730 | 805 | 798 | 430 |
| Interest-bearing net debt, SEK million | 1,722 | 721 | 880 | 890 | 896 | 1,183 | 1,036 | 993 | 1,176 | 684 |
| Balance sheet total, SEK million | 5,315 | 3,313 | 3,043 | 2,655 | 2,510 | 2,471 | 2,087 | 1,997 | 2,243 | 1,551 |
| Equity/assets ratio, % | 30.7 | 46.7 | 42.3 | 39.1 | 36.5 | 24.2 | 22.0 | 26.8 | 22.7 | 25.2 |
| Share of risk-bearing capital, % | 35.7 | 50.3 | 46.2 | 42.5 | 40.6 | 35.9 | 34.9 | 40.3 | 35.6 | 27.7 |
| Return on equity, % | 16.5 | 26.2 | 18.8 | 16.6 | 20.7 | 24.1 | 4.6 | 14.3 | 23.6 | 27.7 |
| Net investments excluding business acquisitions | 182 | 110 | 80 | 88 | 64 | 48 | 76 | 72 | 120 | 156 |
| Net investments attributable to business acquisitions | 737 | 56 | 92 | 3 | 27 | 354 | 0 | 0 | 298 | 52 |

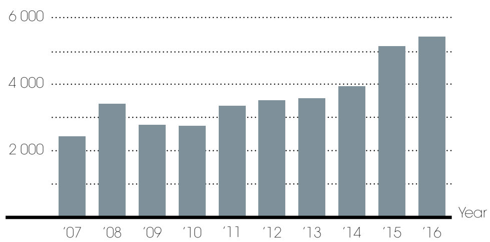
**Excl. acquisition, integration and restructuring costs of SEK 95 million during 2016.*

# ITAB – TEN YEARS IN SUMMARY

SALES

Over the past 10 years, ITAB has reported an average annual increase in sales of 12%. In addition to organic growth, a number of strategic acquisitions have been conducted within the framework of the clear growth strategy. During the period, acquisitions in Germany, as well as the acquisitions of Nordic Light and New Store Europe, have contributed positively to the change in sales. In 2016, the acquisitions of La Fortezza Group, Pikval Group and MB Shop Design have further contributed to the growth in sales. Over the years, several long-term agreements have been concluded with leading chain stores. These are laying the foundations for the company's position as one of the leading all-inclusive suppliers of shop fittings in Europe. The work of creating more efficient solutions in shops and for the process of establishing shops is important for the Group's growth, as is the all-inclusive offer.

**▼ SALES, 10 YEARS (SEK MILLION)**




PROFITABILITY

In order to create a sustainable and profitable operation over time, efficiency in the value chain has been a high priority. Over the ten-year period, operating profit has grown from a level of SEK 156 million in 2007 to SEK 466 million in 2016, adjusted for non-recurring items, and the operating margin has grown from 6.4% to 8.6%. The improvement in the operating margin over the period is principally due to the long-term work of strengthening the gross margin, through efficiency improvements and the development of the Group's solution-based offer.

The growth is also due to increased capacity in the Group's production facilities, as well as increased sales volumes. In addition, synergy effects in conjunction with acquisitions have contributed to the improvement in the margin.

INVESTMENTS

Net investments, excluding corporate acquisitions, have amounted to between one and six per cent of sales. They have principally consisted of machinery with the focus on unmanned operations, high utilisation of resources and leading technical advances. In order to satisfy the market demands of the future, ITAB has invested in land in China during 2016 for the construction of a new production facility. As a result, the Group is well equipped to face the future. Investments related to business acquisitions have centered on reinforcing the company's position as an all-inclusive shop fittings supplier to the Group's selected markets, as well as reinforcing and adding to the contents of the product portfolio in certain areas.

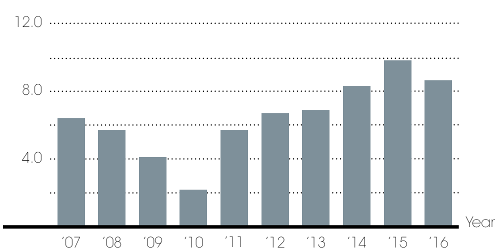
FINANCIAL DEVELOPMENT

The balance sheet total has increased from SEK 1,551 million to SEK 5,315 million. This increase is in part due to the corporate acquisitions implemented during the period, and in part to the investments that have been made in both production facilities and equipment. The expansion has been realised with the aid of a positive cash flow from current activities, extended credit facilities as well as a new issue of convertible debentures. The most recent acquisition was financed through newly arranged credit facilities, and the interest-bearing net liability after this amounts to SEK 1,722 million.

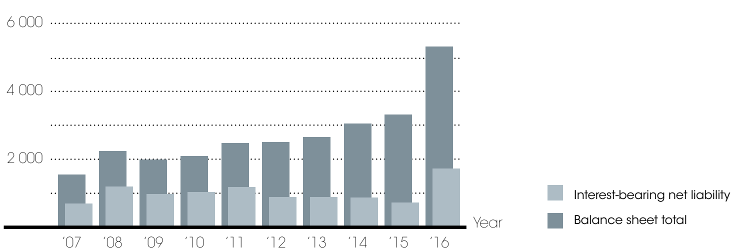
**▶ MORE INFORMATION**

A more detailed description of the past five years can be found on pages 52-53.

**▼ OPERATING MARGIN (%)**




**▼ INTEREST-BEARING NET LIABILITY IN RELATION TO BALANCE SHEET TOTAL (SEK MILLION)**




**EUROSHOP 2017**
During Euroshop, ITAB had the opportunity to showcase off its entire range to both new and existing customers.

▶ **STRATEGIC FOCUS: 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.

# STRONG MARKET POSITION THROUGH LONG-TERM BUSINESS RELATIONS

**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 the ever-increasing expectations in terms of market presence, production capacity, efficiency and delivery reliability. ITAB has the strength and capacity to create long-term customer relationships and to expand at a rate that matches the growth plans of Europe's most successful chain stores.**

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 make it possible to follow customers into new markets while retaining the same level of service.

Through the acquisition of La Fortezza, ITAB now also has a market presence in southern Europe. ITAB's geographic market now covers the whole of Europe. In line with the strategy of following major customers into new markets, ITAB now has operations in Asia, South America and the USA.

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

To create long-term customer relationships and utilise synergies, the companies in the Group collaborate closely with each other and can work together to deliver to an individual customer across several countries. The project manager serves as the hub and co-ordinates all aspects of the programme.

ITAB's customers include Europe's major retail chains, encompassing both international and domestic chains. These customers include Albert Heijn, Asda, Auchan, Axfood, C&A, Carrefour, Celesio, Coop, Dixon, Elgiganten, Edeka, Etos, ForeEver 21, Leroy Melin, LeClerc, Lloyds, LuLu, Ica, Ikea, Intermache, Hema, H&M, Homebase, John Lewis, KappAhl, Kesko, Majid Al Futtaim, Metro Group, Maxima, Morrisons, Netto, Norges-Gruppen, O'key, Panda, Pandora, Prisma, Real, Rewe, Rimi, Sainsbury, Statoil, System U, Tesco, Tiger, Waitrose, Wilkinsons and Uniclo.

▶

▶ **ITAB HAS THE STRENGTH AND CAPACITY** to create long-term customer relationships and to expand at a rate that matches the growth plans of Europe's most successful chain stores.

## MARKET 2016

Several of ITAB's markets have developed positively compared to last year, and currency-adjusted sales increased by 7% during the year. The Group's sales have developed positively in central and eastern Europe, while Scandinavia and the UK have developed on a par with last year. The lighting business has not developed quite as well. The businesses that have been acquired during the year have been integrated into the Group.

The Group is currently the second-largest supplier of shop concepts in Europe, and with its own estimate has a combined market share of around 10 per cent in its current markets. The Group is a leading player in Europe in the field of checkouts, and by its own estimate has a market share of around 25 per cent in its existing markets.

### SWEDEN, NORWAY AND DENMARK

ITAB is the market leader in the region within both the food and non-food segments. MB Shop Design in Hillerstorp has been acquired during the year, successfully complementing our existing business. In Sweden, ITAB holds a strong position within self-checkout systems. Installations have been carried out in the majority of the major supermarket chains in Sweden and Norway, and there is still a high level of interest. Lighting sales have continued to develop positively in the Swedish market, although the Norwegian market has not developed quite as well. In Denmark, lighting products are only sold to a small extent.

### 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 year began rather cautiously, largely due to the uncertainty prior to the outcome of the referendum regarding Brexit. For the year as a whole, sales in the local currency have not been affected by Brexit to any appreciable extent, although this is being carefully monitored. Generally speaking, the British market is at the forefront as regards new retail trends and is also open to change. The market is leading the way in developing solutions to improve efficiency in the shop environment. Several retail chains in the UK are demanding this, and ITAB has developed its range to satisfy the need. Installation, project management and support have therefore become an increasingly important part of the offer.

Over recent years, the trend in this area has moved towards chain stores choosing to carry out rapid refurbishments of key areas of the shop. There are fewer major procurements and work is being conducted more closely with the customer on specific projects. This suits ITAB, as the organisation incorporates, flexible production facilities that can change over quickly and thereby minimise delivery times.

### 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. For several years, the market situation has been difficult and cautious in this area. In recent years, however, ITAB has advanced its market position slightly, as several of its customers are major global chains. Nevertheless, ITAB is experiencing difficulty as regards both efficiency and profitability in this area. In order to create future synergies, it was decided during the latter part of the year to wind up the Belgian production unit. Production will be relocated to ITAB's other units in the local area. The operation in Belgium will continue to conduct logistics and sales activities.

### POLAND, THE CZECH REPUBLIC, GERMANY AND HUNGARY

ITAB is the market leader in checkouts and products in the region, and is one of the most prominent players in shop fittings. The company's leading position in checkouts means that major supermarket chains are also displaying an interest in ITAB's products and self-checkout concepts. During the year, ITAB has succeeded, through its German operation, in increasing its market share of checkouts among major supermarket chains in Europe which are expanding into other markets. Several of the major customers are choosing to buy more from ITAB's range. The Polish market remains difficult, with the result that ITAB is still being rather cautious there.


BALTIC STATES, FINLAND AND RUSSIA

ITAB has a strong position within the food sector in Finland, Latvia and Lithuania. In Estonia, Russia and Ukraine, however, ITAB is still a small player.

ITAB has further secured its position during the year through the acquisition of Pikval in Finland. As a result of this, two production units in Finland have merged to form one. The Group has advanced its position as regards the checkout arena and lighting in 2016.

In the Baltic States, ITAB has almost doubled its capacity during the year in order to meet future market needs. Through the acquisition of La Fortezza, ITAB has strengthened its position in Russia by having its own manufacturing operation in the country, and can now supplement its existing product and lighting sales with shop fittings.

SOUTHERN EUROPE

Through the acquisition of La Fortezza, ITAB is now one of the leading players in the southern European market, primarily in the field of shop fittings for FMCG and DIY.

During the time that La Fortezza has belonged to the ITAB Group, the market has developed in accordance with the expectations that ITAB had at the time of the acquisition. The focus in future will be on integrating ITAB's product portfolio of lighting, self-checkout systems and entrance systems into the business. Production from the discontinued production unit in Belgium will be moved in part to La Fortezza's production units.

## COMPETITORS

ITAB has competitors in most markets and in several product areas. These competitors include Eden, Expedit, Fagerhult, Hermes Metal Youdigar (HMY), Hestra Inredningar, Kasseböhmer Storebest, Cefla, Lival, Mago, NCR, ROL, Ruppel, Tego Metal, Umdasch, van Keulen, Vittra shop, Wanzl, Wincor Diebold, Nixdorf and Fujitsu.

▲ **SHOP CONCEPT**
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.

▶ **STRATEGY: 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.

# DEVELOPMENT OF THE OFFER FOLLOWING MARKET TRENDS

**The retail sector is undergoing a period of change. To an ever greater extent, consumers are using digital tools before, during and after their purchase in the physical shop. Demands regarding the availability of goods and information are increasing, while consumers expect simplicity and choice when making purchases. The role of the shop is changing to a place of inspiration, information and service. ITAB is satisfying the demands of the market by further developing the shop experience through solutions based on consumer benefit.**

## THE SHOPPING EXPERIENCE IS BECOMING INCREASINGLY IMPORTANT

The shopping experience has become increasingly important for attracting customers into the shop, and the expectations from the shop fitting concept has consequently been raised, both during refurbishment and re-profiling. Fitting solutions and shop concepts are changed frequently, particularly in the fashion and ready-to-wear segment. ITAB's operation is based on long-term customer relations, where refurbishments and re-profiling of shop concepts are an important part of the business. ITAB is continuing to develop its offer in order to supply attractive and efficient shops.

### ESTABLISHMENT OF CONVENIENCE STORES INCREASING

The establishment of convenience stores is increasing around Europe. The market is increasingly demanding stores in built-up areas, and this trend is expected to continue. Over the year, the establishment of convenience stores has continued to develop, above all in the Scandinavian countries and in the UK. In recent years, ITAB has been able to offer concepts for smaller convenience stores including shop equipment, self-checkout solutions, flexible queue management and entrance systems.

### A UNIFORM DIGITAL EXPERIENCE

There are now many smaller-scale players supplying digital solutions for individual functions in the shop. ITAB is aiming to provide a more holistic, connected solution for this, and a solution for a uniform digital shop experience is currently under development.

To start with, ITAB has merged the solutions that exist within the Group at present. The idea is that when consumers visit the shop, they will be met by a coherent and well-thought-out solution where the various components are available together. This makes it possible for a shop to offer a better, more engaging experience linked to other channels, such as mobile phones and online shopping. When the shop becomes a distinct part of the multi-channel strategy, consumers are offered clear added value in their shop experience.

▶ **WHAT ARE THE MAIN TRENDS IN THE RETAIL SECTOR TODAY?**
"Digitisation, space and resource efficiency. New channels are constantly being developed, with the result that traditional trade is also seeking new pathways. There is a shift towards smaller premises and space efficiency. Resource efficiency is becoming increasingly important. Examples of this include heating and lighting."

***Maria Sandow***
*Economic policy expert on sustainability, CSR & supply chain at the Swedish Trade Federation*

# RESPONSIBILITY AT EVERY STAGE AND A SUSTAINABLE OFFER ARE EXPECTED

Consumers are increasingly expecting retailers to assume responsibility for the entire supplier chain. Sustainable manufacturing processes, good working conditions and a sustainable choice of materials and raw materials are being demanded to an ever greater extent. Retail chains are placing increased demands on their suppliers, and this also includes the manufacture of shop concepts.

In recent years, ITAB has developed a sustainability programme that supports both the business process and customer demands. The programme extends across the Group, and the companies will be working locally with various areas of focus in order to meet relevant market requirements. By having its own in-house manufacturing operation, ITAB has control over the production process. The geographic location of the production facilities has become an increasingly important aspect of the contract negotiations for ITAB, both as regards emission levels and in order to minimise transport distances. Through its sustainability programme, ITAB will continue to work on efficiency in the value chain in order to further streamline and improve the production and logistics process.

When choosing materials for shop concepts, sustainable and recyclable materials are becoming important. ITAB is taking this into consideration from the start of the design and planning phase when developing concepts or products.

**"THE BRAND IS NOW VERY CLOSELY LINKED WITH SUSTAINABILITY.** The brands that are strong today are also the ones that have the best developed sustainability work."

***Maria Sandow***
*Economic policy expert on sustainability, CSR & supply chain at the Swedish Trade Federation*


**SUSTAINABLE MANUFACTURING PROCESSES,** good working conditions and a sustainable choice of materials are being demanded to an ever greater extent.

# EFFICIENT SHOP SOLUTIONS AT THE FOREFRONT WITH THE FOCUS ON CONSUMER BENEFIT

Demand for streamlining options in stores is continuing to grow at an ever greater rate. More and more shops are tending to require more staff in order to handle an ever-increasing range of fresh and locally produced goods. More shops, both large chain stores and smaller convenience stores, are displaying an interest in self-checkout solutions, as these provide an opportunity to move staff from the checkout arena out into the store instead.

Several installations of ITAB's self-checkout solutions were completed in major chains around Europe during the year. The improvements in efficiency brought about by the systems make it possible to make significant cost savings in the checkout arena while increasing the level of service in the shop for both large chain stores and smaller convenience stores.

In recent years, self-checkouts and various self-scanning technologies have become increasingly common in the retail sector. ITAB believes this will be a high priority area of investment within retail over the next few years. Self-checkouts can also be connected to the mobile experience in the shop. This solution generates a natural point of contact for the retailer's other offers, with the potential for added sales. In this way, the shop experience is linked to the digital offer.


# PICK & GO WITH AIRFLOW

ITAB's next concept in the checkout arena is called Pick&Go with AirFlow. With this concept, technology is being transferred from our automated checkout EasyFlow out into the shop, and the system means that goods are registered immediately when picked by the consumer.

The idea behind the system is to make things easier for the consumer, as the product is registered as a purchase immediately when you take it down from the shelf. AirFlow and AmazonGo have a lot in common. The system is currently under development, with a first version of the system demonstrated at EuroShop in March 2017.

# SELF-CHECKOUT FOR FASHION

To an ever greater extent, customers are demanding choice when paying and checking out in a shop. Retail chains in the fashion and clothing sector are looking for solutions to provide a simple and attractive in-store experience. ITAB merged its teams working within fashion design and self-checkout solutions, and they succeeded in developing one of the world's first concepts for self-checkouts within fashion.

By creating a secure process, where the customer can personally scan goods and deactivate alarms, fashion outlets now have the opportunity to use self-checkouts. The system makes it possible to deploy more staff to sales-oriented roles, and the checkouts can be open at all times in order to optimise customer flow and to minimise queues.


▶ "**ONE IMPORTANT ASPECT** is that the retail sector is currently under considerable financial pressure, with the result that increasing focus is being placed on resource-efficiency."

***Maria Sandow,***
*Economic policy expert on sustainability, CSR & supply chain at the Swedish Trade Federation*

# PIRI, AN INTELLIGENT LIGHTING SYSTEM

Lighting is an important aspect of the interior design concept when it comes to increasing sales and creating attractive store environments. The right lighting also means substantial energy savings and lower maintenance costs for retail chains. In the event of refurbishment or new construction, energy efficiency is increasingly important and a high priority for many retailers when investment in the store.

ITAB has continued to develop its lighting technology and can now offer systems that deliver entirely new control, with lighting, sound and images integrated into a wireless network. This means that the shop can control all functions in one and a single system from one place.

▶ **STRATEGIC DIRECTION: OFFER 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.

# CREATING THE ULTIMATE SHOPPING EXPERIENCE, CLOSE TO YOU


▲ **ITAB's BUSINESS MODEL**
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 has extensive experience of working as an all-inclusive contractor in charge of building new or refurbishing individual shops or entire store chains. In order to develop and nurture long-term business relations, for years ITAB has worked according to a model based on co-operating 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.

## SUSTAINABLE PRODUCT DEVELOPMENT

ITAB is already working in the design and product development phase with the aim of optimising the use of raw materials with consideration to their environmental impact, for instance. Other factors include the product's design and energy consumption. This development work is taking place in the company's own product companies and in close co-operation with the customer. The focus during product development is on well-thought-out solutions, good features, user friendliness, ergonomics and efficiency. Through its product portfolio, ITAB can contribute to a more sustainable shop through energy and cost-saving products and systems.

## PROJECT MANAGEMENT AND INSTALLATION

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, a single project manager is responsible for all installations and can utilise all companies in the Group in order to achieve geographic proximity to the customer and local knowledge about the market.

Installation of concepts and servicing of the products are carried out by ITAB's own technicians and certified installation teams. Installations can be carried out in the shop while trade continues. ITAB's service teams can provide service and maintenance through regular visits.

## UNIQUE CONCEPT AND PRODUCT PORTFOLIO

ITAB manufactures custom-made shop concepts and innovative products in order to improve and streamline the shop environment for major retail

chains. 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. The Group has local design teams and design companies. ITAB also works with external architects and its customers' own design agencies. ITAB is constantly striving to realise its customers' ideas and to reflect its brand profile and sales strategy.

## CUSTOM-MADE FITTINGS AND STANDARD SYSTEM

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. Shop concepts 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 fixed 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 variations and sizes, and now has all the systems to meet market needs.

Fittings for the non-food segment are usually 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.

For pharmacies, custom-made concepts are manufactured both for large pharmacy chains and small independent pharmacies all over Europe – always uniquely adapted to the pharmacy's profile and individual specifications.

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

▲ **CUSTOM-MADE SHOT FITTINGS**
ITAB has supplied the custom-made fittings to John Lewis in Leeds.

▶ **ITAB 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.

# ENERGY-SAVING LIGHTING SYSTEMS THROUGH SMART & FLEXIBLE SOLUTIONS

The lighting systems have become an increasingly important part of the shop concept. During refurbishments and new construction, energy efficiency is becoming increasingly important. ITAB develops, manufactures and sells complete professional lighting systems, light planning and light service for the food and non-food sectors. The Group sells and distributes lighting products to around 60 countries, both through its own companies and through national distributors, in order to provide customers with local support in respect of imports and service.

## PRODUCT DEVELOPMENT AT THE FOREFRONT

ITAB 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).

The Group conducts its own in-house product development in order to adapt its lighting systems to customer needs in the various markets. ITAB can offer customers a combination of local lighting expertise with global sourcing of lighting products.

The Group 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 which 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.

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). ITAB has also developed linear LED products.

## ENERGY-SAVING LIGHT SOURCES

Energy consumption represents a large proportion of a shop's costs. The right lighting means major energy savings and lower maintenance 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 of ventilation in the shop. These are two areas where ITAB'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.

# CHECKOUT ARENA IMPROVES THE CONSUMER EXPERIENCE

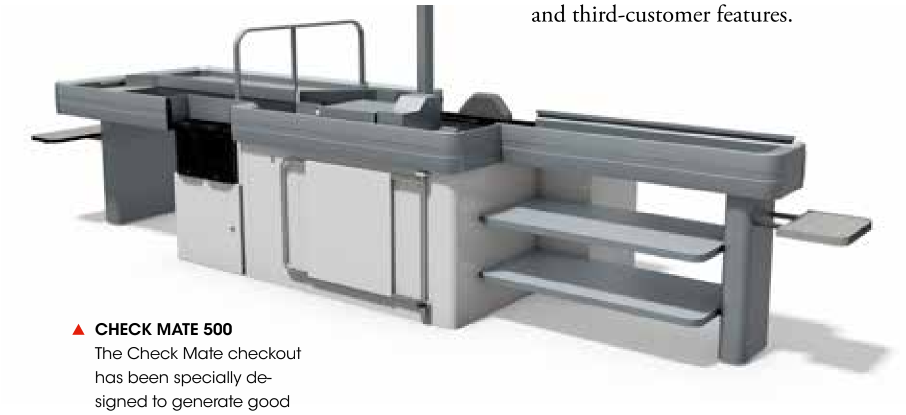
As part of improving the shopping experience for the consumer, and optimising flow for the store, ITAB provides solutions for the entire checkout arena. Effective products and systems create optimum flows in the shop and improve the shopping experience for the consumer. ITAB develops, manufactures and supplies checkouts, self-checkout solutions and entrance systems to large retail chain stores, primarily in the food sector.

As Europe's leading supplier, ITAB has the experience and expertise to help retail chains choose the right solutions for the checkout arena based on the shop's size, flow of goods and number of visitors. Other important factors include design and communication around the checkout arena. The design of products and systems can vary 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 higher product volumes and lager operations.

▲ **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.

## ERGONOMIC CHECKOUTS

ITAB's staffed checkouts are designed to suit different volumes of customer 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.



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

Conveyor belt scales simplify the work and mean that the weighing and 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 an optimum size, which makes it possible to either stand or sit when working at the checkout. ITAB's range includes a wide choice of checkout systems for smaller shops, which are more space-efficient and adaptable to existing shop fittings. The checkouts are also adapted for different cash register and payment systems.

## SELF-CHECKOUT CONCEPT

Interest in new methods for reliable checkout and payment in shops has increased in recent years. As part of the checkout arena, ITAB has been developing and manufacturing self-checkout solutions for several years as an alternative to staffed checkouts. The systems enable the consumer to quickly, conveniently and reliably check and scan their items themselves at the checkout.

ITAB offers complete range of self-checkout products adapted for all types of retail checkout arenas. The self-checkout solutions are available in several alternatives. One range is designed for a high flow of items to suit larger retail chains, and one for convenience stores that typically use shopping baskets for only 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 solutions produces costs savings and frees up resources.

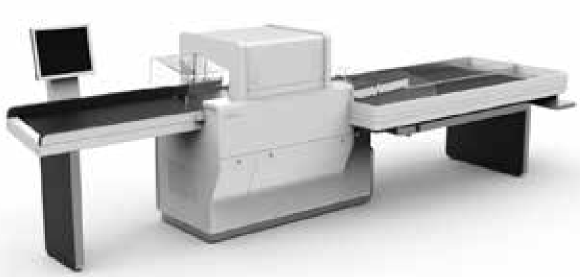
**EUROSHOP 2017**
During Euroshop 2017, ITAB was able to demonstrate its checkout arena solutions, which generated considerable interest.

## EASYFLOW AND HYPERFLOW

As part of the concept, ITAB's fully automatic EasyFlow self-checkout system has been launched. The technology and method is groundbreaking since the checkout does not need to use an item's barcode to identify it – even items sold by weight such as fruit and vegetables. The technology is unique in the market, and is based on a combination of different identification methods. ITAB has continued developing the system and has now arrived at a solution called Hyperflow, which can cope with shops with large product ranges. ITAB has great confidence in the systems' potential to make a breakthrough in the retail trade's rapidly growing self-checkout sector.

## FASHIONFLOW

As part of its development of self-checkout systems, ITAB has also developed a solution for fashion. Through a secure process, where the customer can personally scan goods and deactivate alarms, this offers the potential for self-checkouts, including in the non-food sector. The system was presented for the first time during EuroShop and attracted a great deal of interest.




**SIGMAGATE**
SigmaGate is an entirely new type of shop gate which, thanks to its design, minimises the amount of floor space taken up in the shop. New functions in the gate provide increased security for the shop.

## STREAMLINING OPTIONS

The improvements in efficiency brought about by ITAB self-checkout systems result in significant cost savings and an increased level of service for both large chain stores and smaller convenience stores. The self-checkout systems also save space in shops, which can be converted to selling or used to expand the number of checkouts to improve service. Operational efficiency is increased as the self-checkouts can be open at all times, helping to optimise the customer flow in the shop.

ITAB believes that this will be a high priority area of investment for the retail segment over the next few years. Attractive investment returns combined with the improved shop security and access that self-checkout systems provide means that there is a strong likelihood that this will become a new industry standard.

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

## 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 security. There is a wide selection of options in terms of function, security and design. The Group is Europe's second largest supplier of entrance and queue management systems in the market today.

## A UNIFORM SHOP EXPERIENCE

Through its working model, ITAB manages the project 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 a completed shop ready for business. For customers with short set-up periods, ITAB manufactures and stocks complete shop fixtures and fittings packages 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 naturally implemented in future projects. ITAB's ambition is to work with the customer to improve the store experience for the consumer, by creating effective and attractive shop fitting concepts.

**SELF-CHECKOUT SYSTEM FOR FASHION**
ITAB has developed a self-checkout system for fashion, where consumers themselves can deactivate the alarm and scan the product.

▶ **STRATEGIC DIRECTION: 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.

# LOCAL PRODUCTION UNITS PROVIDE GLOBAL DELIVERY CAPACITY

**ITAB has 21 production facilities in 15 countries. By having its own production units, ITAB can control production and quality and thereby ensure that the agreed delivery times are met.**

The largest production facilities are located in Sweden, Finland, the UK, Germany, the Czech Republic, China, Italy and France. The units primarily manufacture a basic range of fittings and equipment for the local market as well as for ITAB's other companies. Volume production of lighting systems takes place in China, while customised lighting products are primarily manufactured in the UK, Sweden and Germany. The co-ordination of the Group's volume production generates cost-effective manufacture 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.

ITAB has its own manufacturing operations and, as a result, has control of the production process. The majority of the purchases are made in the vicinity of the facilities in each country, or from ITAB's own factories in China.

During the year, ITAB has chosen to wind up its production facility in Belgium, and instead relocate production primarily to the UK, the Czech Republic, Lithuania and France. The machinery has also been moved internally, although the good logistical location means that the facility is being retained as a logistics centre for products from Asia, for example. The facility supports ITAB's operations in the Benelux countries, Germany and the UK.

In order to satisfy future market requirements, ITAB has made investments totalling almost SEK 182 million (110) during the year. For example, the Group has invested in land in China, where preparations are in progress for a new production facility.

*Sweden*

In Sweden, ITAB produces and supplies entire shop concepts through the units in Jönköping, Nässjö and Hillerstorp. In Nässjö, ITAB conducts successful timber production for all kinds of wooden fittings. The facility boasts a high degree of automation and a well developed assembly department, offering good potential for large-scale dispatches.

In Jönköping there is a flexible, efficient production unit for metal, which manufactures fittings for Swedish and Nordic customers as well as the checkout range. The unit also manufactures entrance systems. The factory is central for the production of the Group's self-checkout concepts. Through the acquisition of MB Shop Design in Hillerstorp, the facilities are being supplemented with a flexible metal fittings production unit that possesses considerable expertise, above all in areas such as welding and powder coating.

▲ **PRODUCTION FACILITIES.**
ITAB has 21 production facilities in Europe, China and Argentina.

- Market presence
- Head office
- Offices/Sales companies
- Production facility

*Finland*

The acquisition of Pikval Oy in Finland provided ITAB with two similar production units. These two units were merged in December 2016, which means that future synergies will be realised within both production and purchasing.

*UK*

Near London, ITAB has the two most flexible facilities in the Group. These supplement the large production facilities in Europe and Asia. They manufacture small and medium-sized series of custom-made solutions. The British market is one of the most demanding, requiring a high level of quality and service with very short lead times. ITAB's local units help to satisfy these demands. One of the facilities manufactures metal fittings and the other, smaller unit complements this with timber production.

*Germany*

The facility in Germany specialises solely in checkout production. This unit serves many of Germany's major chains with custom-made checkout solutions of the highest quality. The facility has undergone a period of investment in 2016 and can now boast highly modern machinery and increased capacity.

*Czech Republic*

The facility in the Czech Republic was built in 2007 and serves ITAB's major markets with standard fittings and checkouts. The unit has considerable machine capacity with a high level of automation, and is extremely competitive both as regards standardised high volume and as one of Europe's most flexible checkout suppliers. During customer audits, this facility is awarded top grades.

*China*

ITAB has two production units in China, one in Suzhou and one in Shenzhen. Light fittings, interior fittings and to some extent checkouts are produced in Suzhou. Production is focused on metal processing and assembly.

In Shenzhen, ITAB conducts ultra-modern manufacture of control boards (circuit boards) for lighting using SMT lines, powder coating and assembly. In the facility, all products are burned in prior to delivery to the customer. The deliveries go to companies within the Group as well as to global customers. Production capacity in China will be increased in the coming years.

*La Fortezza*

Through the acquisition of La Fortezza, ITAB now has production facilities in Italy, France, Argentina and Russia with a combined area of almost 60,000 m².

The Italian facility is located in Scarperia and produces metal fittings and checkouts. Metal fittings are also produced in Romorantin in France and Stupino in Russia. Metal and wooden fittings as well as checkouts are produced in Argentina.

▶ **AREAS OF FOCUS:** Sustainable business development, Efficiency in the value chain, Good working conditions and Business ethics.

# FOCUS ON SUSTAINABILITY PROVIDES BUSINESS BENEFITS

▶ **FOUR AREAS OF FOCUS** have been developed for the sustainability work that supports ITAB's strategic direction.

**ITAB's operations are conducted in a responsible manner and the Group is aiming to achieve sustainable development. The Group's companies are working to reduce the business's environmental impact and to ensure good working conditions for ITAB's employees, as well as to maintain good business ethics. Developing new, sustainable solutions and products creates value for both ITAB and the customer and is an important part of the offer.**

ITAB has incorporated sustainability issues as a natural part of the business for many years. This is an important component in the all-inclusive offer that ITAB delivers and is in line with the company's values. Ensuring resource-efficient production and good conditions within ITAB are important aspects of the sustainability work. For the companies within the Group, it is important to be a proactive partner and to offer effective and sustainable solutions to ITAB's customers. This includes having a good knowledge

## ITAB's AREAS OF FOCUS WITHIN SUSTAINABILITY

| | |
|---|---|
| SUSTAINABLE BUSINESS DEVELOPMENT | EFFICIENCY IN THE VALUE CHAIN |
| GOOD WORKING CONDITIONS | BUSINESS ETHICS |

of how ITAB's products can contribute to more efficient processes at our customers, thereby helping to achieve a more sustainable value chain.

ITAB has launched a process aimed at further mapping and systematising the sustainability work within the Group. Four areas of focus have been developed for work, which supports ITAB's strategic direction. The work is based on Global Reporting Initiatives' (GRI) guidelines for reporting on sustainability issues. The areas of focus gather together the sustainability issues that have been identified as being important for ITAB and for the Group's stakeholders.

ITAB will continue working on the development of the programme and its establishment within the Group during 2017. This is being achieved in part by formulating KPIs and measurable goals that will be followed up regularly.

### ESSENTIAL ISSUES

Maintaining the trust of the outside world is decisive when it comes to running a business in the long term. As a result, it is important to build good relations with the company's stakeholders and to be sensitive to their wishes. At the same time, dialogue with the outside world is vital in order to ensure an understanding of the environment and the communities in which ITAB operates.

ITAB's stakeholders are those groups that have the potential to influence, and that are influenced by, the company's operations. The most important stakeholder groups include customers, owners, employees, suppliers and society in general. The Group's companies interact with their stakeholders in a number of ways, such as through discussions and collaborations. The main issues highlighted in the stakeholder dialogue during 2016 include the areas presented in the model below. Sustainability work is governed by what the stakeholders and the company consider to be important. During 2016, ITAB conducted a materiality analysis in order to identify the most important areas for the company and its stakeholders. These areas are presented in the model below.

## ITAB's MOST SIGNIFICANT AREAS


The areas that are considered essential for ITAB are presented above.

▶ **SUSTAINABILITY GOALS** ITAB aims to be a leading player in the transformation to the sustainable shop.

# FOCUS AREA: SUSTAINABLE BUSINESS DEVELOPMENT

**Sustainable business development means that ITAB, through its unique concept and product portfolio, can contribute to more sustainable shops through energy and cost-saving products and systems, as well as by continuing to develop solutions for the shops of the future.**

The Group is already incorporates sustainable factors in the design and product development phase of its work, for instance in selecting and optimising the use of raw materials with consideration to their environmental impact. Other factors include the product's design and energy consumption. This development work is taking place in the company's own product companies and in close co-operation with the customer. The focus during product development is on well-thought-out solutions, good features, user friendliness, ergonomics and efficiency. ITAB develops and sells both professional lighting systems and self-checkout systems. These are two areas that are considered to affect a shop's costs to a significant extent. The choice of lighting system affects energy and maintenance costs in a shop. Shops are placing ever greater emphasis on energy efficiency during new construction and refurbishments. One important area that creates benefits both for society and the environment is LED lighting. Over the past five years, ITAB's sales of LEDs have increased from 5% to 50% of total lighting sales. Switching to LED systems delivers considerable energy savings. The amount of heat generated by the systems also affects the cost of ventilation in the shop. LED lighting can reduse these ventilation costs. It also means that cost savings can be made with regard to ventilation.

The self-checkout solutions lead to more efficient shop flows and reduced staff costs in the checkout arena, as one person can manage between four and eight self-checkouts. ITAB judges that these areas will be prioritised investment areas for shops in future.

**INTERVIEW WITH MARIA SANDOW**
ECONOMIC POLICY EXPERT ON SUSTAINABILITY
CSR & SUPPLY CHAIN AT THE SWEDISH TRADE FEDERATION

Photography: Björn Mattisson

▶ **WHICH SUSTAINABILITY ISSUES ARE CURRENTLY IMPORTANT WITHIN THE RETAIL SECTOR?**
"That depends to some extent on which company you are talking about and which matters are most relevant for their operations. Issues that are high up on the agenda at present include sustainable production, chemicals, production conditions and safety.
"One important aspect is the fact that the retail sector is currently under considerable financial pressure, with the result that increasing focus is being placed on resource-efficiency.
"Circularity considerations are also becoming increasingly widespread. Many companies now offer to recycle old products in their shops."

**INTERVIEW WITH ROY FRENCH,**
CHIEF BUSINESS OFFICER
ITAB IN THE UK

**HOW OFTEN ARE YOU INVOLVED IN SUSTAINABILITY-RELATED ISSUES?**
"On a daily basis. We work extensively with sustainability issues and how they can contribute to our business. In order to attract and retain our customers, it is vital for us to have a clear strategy when it comes to sustainability."

**HOW IS SUSTAINABILITY A PART OF ITAB'S OFFER?**
"Previously when we spoke about ITAB's all-inclusive offer, we tended to focus on product lifecycles that extended from the 'cradle to the grave'. Nowadays we talk about our offer from a 'cradle-to-cradle' perspective. We now start our design processes with sustainability in mind. In our production facilities, we are working to reduce waste and increase our efficiency. We then install our products and ensure that the sustainability perspective is also taken into consideration when the products are in use. Finally, we try to reuse our products if possible. If not, we recycle them where possible."

# FOCUS AREA: EFFICIENCY IN THE VALUE CHAIN

**ITAB is constantly striving to reduce our environmental impact by making environmentally conscious choices in terms of raw materials, production processes and transportation alternatives. Based on the precautionary principle, the Group's companies have worked for many years in a responsible manner in order to ensure a sustainable business.**

**SUSTAINABILITY GOALS** ITAB aims to be a leading player within resource-efficient production and transport.

RESOURCE-EFFICIENT FACILITIES
ITAB is working actively to reduce the Group's energy consumption and increase the proportion of renewable energy in its total energy usage. This is important both from an environmental and a cost perspective, and for ITAB as a manufacturing company. ITAB's large production facilities are equipped with modern systems in order to reduce energy and gas consumption, as well as to increase resource efficiency. The majority of the businesses in the Group now use renewable energy to some extent. The work of reducing energy consumption is conducted by the individual companies within the Group. Work is in progress aimed at co-ordinating activities in the field of energy in the long term, in order to gather in data and information at Group level in a more systematic manner.

ITAB also conducts a close dialogue with customers in respect of the environment. Part of the focus is on the exchange of knowledge, and discussions are conducted regarding ambitions and expectations.

Several projects were conducted during 2016 that will lead to reduced energy consumption in the long term. In conjunction with the building of an extension in Lithuania, for example, the lighting has been replaced with LED lighting. This installation is part of a major project aimed at replacing all lightning with LED lighting.

### TRANSPORT

Transport is an important issue for ITAB, which has operations in many different countries. The Group's companies are working actively to reduce emissions and ensure effective transport. The choice of transportation alternatives for products that are to be shipped long distances, such as from China, is considered from both a cost and an environmental perspective. Nowadays the Group mainly transports goods by sea, which is a more environmentally friendly transport method than flying, for example.

By having a local presence, ITAB contributes to reduced transport distances for many of the Group's customers. The organisational structure, with several major production facilities centrally located in Europe, gives ITAB the potential to produce locally and thereby contribute to reduced emissions. The strategic location of the Group's production facilities has grown increasingly important during major contract negotiations.

### ENVIRONMENTAL CONSIDERATIONS WHEN CHOOSING SUPPLIERS

For ITAB as a manufacturing company, it is also important to safeguard environmental considerations throughout the value chain. ITAB conducts regular dialogues with suppliers about various sustainability aspects.

Over the year, ITAB has developed a supplier policy that will apply to the entire Group. This policy describes fundamental requirements that all the companies have to impose on their suppliers, and includes demands regarding the suppliers' environmental work. The policy will start to be implemented in the course of 2017. During 2016, it has been reported that 121 new suppliers have been examined in respect of environmental criteria.

## INTERVIEW WITH ERIK WIKSTRÖM
CHIEF BUSINESS OFFICER
ITAB LIGHTING AND CHINA

**HOW IMPORTANT IS THE SUSTAINABILITY ISSUE FOR CUSTOMERS? AND IN WHAT WAY?**

"The issues that come up most often relate to the environment. The products must be produced in an environmentally friendly manner and must reduce the $CO_2$ content. All actions are measured frequently, and the customers then impose demands on suppliers and subcontractors to ensure that they keep up with developments.

"Environmentally friendly materials are important to us, and we naturally comply with the regulations, although we also listen closely to our customers' requests. Our customers then ensure that we are doing the right things by conducting audits on our premises. Transport is an important issue too. It is easy to convert this to $CO_2$, and this can be done in a standardised manner.

"If we make energy savings in projects, we usually perform energy calculations for the customer as well. This is beneficial in several respects, both in terms of financial value but also through reduced $CO_2$ emissions. This is something our customers often want to know."

**CAN YOU TELL US ABOUT THE SUPPLIER SITUATION IN CHINA?**

"The suppliers are often situated in our local area, and we conduct our own inspections of suppliers who assemble the products. We look at factors such as quality, the working environment and human resource issues.

"Our customers in turn perform audits in our production units and place demands in respect of our direct subcontractors."

**HOW OFTEN DO YOU CARRY OUT YOUR OWN INSPECTIONS?**

"We have 50-60 people working on quality and carrying out internal and external inspections. The suppliers we buy a lot from, we meet several times a year. The suppliers we buy less from, we meet less often."

**HOW TRANSPARENT ARE YOU IN RELATION TO YOUR SUPPLIERS?**

"We have been arranging customer visits for several years to demonstrate that we have good quality suppliers with good working conditions. Up until two years ago, we arranged these visits twice a year. We are now visited by customers from Europe at least once a year.

# FOCUS AREA: BUSINESS ETHICS

**ITAB has zero tolerance for all forms of bribery and corruption. ITAB regularly conducts internal checks in all subsidiaries, which provides reasonable assurance of an appropriate and effective operation, reliable financial reporting and compliance with laws and ordinances.**

▶ **SUSTAINABILITY GOALS** ITAB should be perceived as an honest and transparent player in the market and in society.

The managing director of each individual company within the ITAB Group is responsible for ensuring compliance with local regulations. If an issue relating to business ethics arises at company level, there is a system in place for how employees can report directly to the Group and for how such issues will be handled. No known cases of corruption have been discovered in the Group during the year. In countries such as Russia and Malaysia, the Group's companies conduct special reviews and training in respect of anti-corruption.

ITAB's tool for internal control is based on the COSO framework. This is a framework for evaluating a company's internal controls over financial reporting. The framework streamlines the work with the internal controls. During the year, the internal audit programme has been revised, primarily on the basis of business risks.

A joint code of conduct has been drawn up at Group level during the year, and will be implemented over the next few years. It focuses on aspects such as the importance of each and every employee, the fact that the Group offers a safe and healthy working environment and that it works to reduce its environmental impact. It also points out that ITAB stands for straight, honest communication and that all employees have to respect commercial confidentiality.

During 2016, a workshop regarding the code of conduct was implemented within ITAB's management team. The proposed code of conduct was sent out on referral to all the CBOs within the Group's companies to ensure that it is relevant for all the companies.

**INTERVIEW WITH ANNA BENJAMIN**
BOARD MEMBER, ITAB

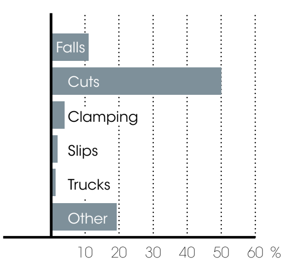
▶ **WHICH SUSTAINABILITY ISSUES ARE MOST IMPORTANT FOR ITAB?**
"To ensure an operation that is sustainable in the long term, we need to balance our financial, social and environment responsibilities optimally. We cannot focus on one area and ignore another. In future, we need to continue developing sustainable shop concepts, continue working with resource efficiency and minimise our climate impact. Finding and retaining skilled, committed employees is an important issue, and we therefore need to invest in diversity and in being an attractive and modern workplace, as young people have entirely different expectations as regards their workplace."

# FOCUS AREA: GOOD WORKING CONDITIONS

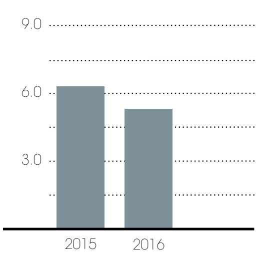
**ITAB is endeavouring to provide good working conditions within the companies in the Group, at suppliers and when working at customer sites. The Group respects human rights, which means that ITAB supports, monitors and respects international conventions on human rights in its operations.**

**SUSTAINABILITY GOALS**
ITAB aims to be an attractive workplace and a model employer.

**REPORTED ACCIDENTS**




**SICKNESS ABSENCE (%)**




ITAB's aim is to be a responsible employer that attracts and retains employees. ITAB is working to ensure good working conditions within the companies in the Group, at suppliers and at the customer.

ITAB respects human rights and works on the basis of international conventions on human rights in the management of its day-to-day operations. The Group's companies respect their employees' right to organise themselves and negotiate collective agreements. The companies must also respect an employee's right to refrain from joining a trade union. ITAB is open for collective agreements to employees in those markets where this is possible. The Group pays fair wages and benefits in accordance with relevant standards in those countries where it has operations. ITAB does not tolerate child labour or work carried out under force or threat of force. There have been no instances of child labour or forced labour during 2016.

## OFFER A SAFE WORKPLACE

ITAB's companies are working to offer a healthy, safe working environment. As a production company, it is important to reduce the risk of accidents and occupational injuries. Within the ITAB Group, each company is responsible for ensuring a safe workplace that complies with local regulations. Every year, the companies report their results to the Group management, which compiles a report regarding employee statistics. If there are any deviations as regards the number of accidents or sick leave, this will be investigated further.

A total of 135 accidents were reported during 2016, which corresponds to approximately 4% of the staff in the Group. Around half of the reported injuries were cuts. During 2017, ITAB will be reviewing its safety procedures for those companies that report a higher number of accidents.

Efforts are being made at a local level to reduce the proportion of sick leave within the company. During 2016, the proportion of sick leave amounted to 5.3%, compared to 6.3% in 2015. Sick leave is monitored and measures are being implemented in those units with higher levels of sickness absence. Sickness absence varies between the individual companies in the Group.

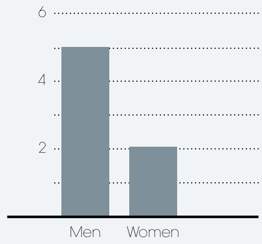
## SKILLS DEVELOPMENT AND CAREER OPPORTUNITIES

Developing employees within ITAB's various companies is an important aspect in enabling the Group to continue to grow. The potential to build a career and receive further training is decisive for attracting and retaining employees. The managers in the various companies are responsible for appraisals with employees, and attending internal and external training is possible.

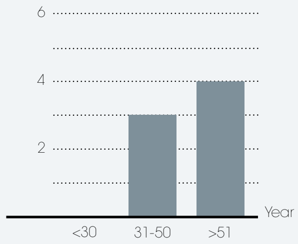
ITAB Academy is one of the initiatives conducted at Group level to develop the skills of employees. The internal training programme provides key individuals from the companies in the Group with the opportunity to expand their knowledge about ITAB, as well as in the fields of leadership and business development. Read more about ITAB Academy on pages 46-47.

During 2016, work commenced in Scandinavia aimed at development leadership within the Group's companies. Through 'leadership surveys', employees are given the opportunity to answer a number of questions and consider their managers' leadership. The results are subsequently discussed and used as a basis for developing leadership capability among employees in the companies.

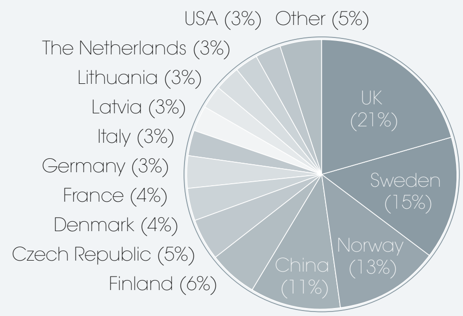
▼ GROUP BOARD – GENDER



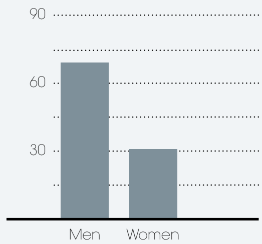

▼ GROUP BOARD – AGE



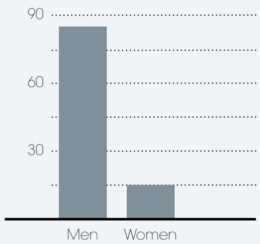

▼ MANAGEMENT
– PROPORTION OF PEOPLE PER COUNTRY (%)



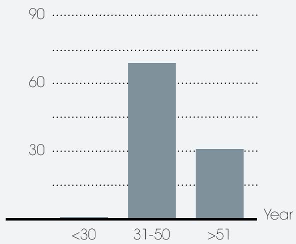

▼ NUMBER OF EMPLOYEES, MEN & WOMEN (%)




▼ NUMBER OF EMPLOYEES, MANAGEMENT (%)




▼ MANAGEMENT – AGE




## DIVERSITY

Diversity is an important issue for ITAB. At present, approximately 31% of ITAB's workforce is made up of women and 69% men. The management teams in the Group's subsidiaries comprise round 150 people from 21 countries. Of these, 15% are women and 85% men. Increasing the total proportion of women within the Group and at management level is important for ITAB, in order to reflect the society in which the Group operates and to ensure that the Group possesses the skills required to continue to develop in future. ITAB is trying to create a more even gender distribution by ensuring that female applicants are included in recruitment processes and, through advertisements, by encouraging women to apply for jobs. More comprehensive work will be launched during 2017 aimed at further systematising the work on diversity and equality. The Group's Board of Directors is made up of approx. 30% women, while 40% of Board members are between the ages of 31 and 50, and around 60% are over the age of 51.

## GOOD CONDITIONS IN THE SUPPLIER STAGE

For ITAB as a manufacturing company, it is important to ensure that consideration is given to various sustainability aspect throughout the value chain. For this reason, ITAB's responsibility also extends to ensuring good conditions for the company's supplier chain. The Group's companies primarily have suppliers with operations in Europe, which reduces the risk of child labour, for example. ITAB conducts regular dialogue with its most important suppliers about various sustainability aspects.

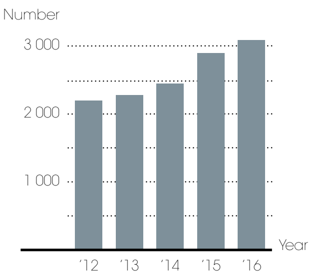
At present, each company within ITAB has its own guidelines and policies that regulate the demands placed on suppliers. During 2016, work has commenced to draw up a new supplier policy. This policy will apply to all companies in the Group and will establish fundamental criteria for all of ITAB's suppliers. The policy is expected to be completed during 2017, at which point it will start to be implemented.

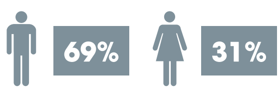
During the year, the Group's companies have examined 117 new suppliers based on social and environmental criteria.

**STRATEGIC DIRECTION: EXPERTISE, COMMITMENT AND BUSINESSLIKE ATTITUDE**
Through the expertise, commitment and business acumen that characterise the Group, ITAB aims to instil trust and confidence in each and every customer.

# COMMITMENT AND DRIVING FORCE IN 28 COUNTRIES

**AVERAGE NO. OF EMPLOYEES**




**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 enhancing awareness about the Group's strategy, culture, organisational structure and work process.**

## NUMBER OF EMPLOYEES

ITAB has expanded dramatically in recent years through organic growth and corporate acquisitions. This expansion has resulted in the average number of employees increasing from 549 when the company was first listed on the stock exchange in 2004, to 3,097 employees in 2016. ITAB has most employees in Sweden, the UK, the Czech Republic and China, with around 60% of the Group's employees working in these countries. Around 24% of the employees in the Group are below the age of 30, while 58% are between the ages of 31 and 50.

Staff turnover during the year has been just over 10%. The Group's staff turnover is higher in countries such as China and the Baltic States. This is due in part to different types of employment compared to other countries. Around 31% of the employees in the Group are women.

## RECRUITMENT AND CAREERS

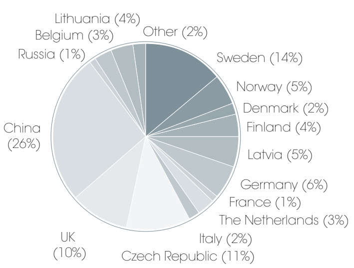
The desire to participate and a strong drive are the most important parameters when ITAB recruits employees. ITAB strives to uphold good contact with colleges and universities in order to find the employees of the future.

Senior executives have principally been recruited in the local markets, which has proven to be successful as local knowledge about the market is very important in customer relations.

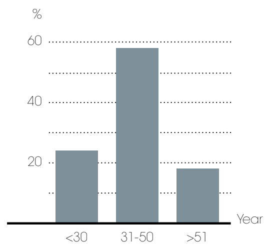
## CONVERTIBLE DEBENTURE SCHEMES FOR GROUP EMPLOYEES

In order to further increase commitment and provide employees at ITAB with the potential to

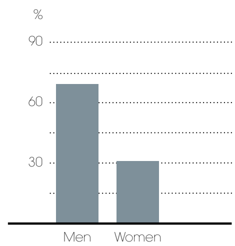
**NUMBER OF EMPLOYEES PER COUNTRY (%)**



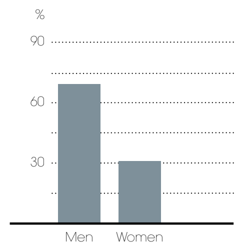

**AGE DISTRIBUTION, EMPLOYEES (%)**



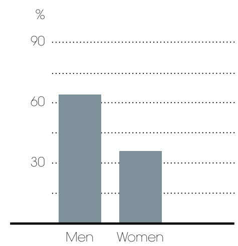

**NUMBER OF EMPLOYEES, MEN & WOMEN (%)**




**NUMBER OF EMPLOYEES BLUE COLLAR (%)**




**NUMBER OF EMPLOYEES WHITE COLLAR (%)**



participate in the Group's development, employees in 2014 and 2016 were offered the chance to participate in convertible debenture schemes, both with a duration of four years. After four years, the employees are given the opportunity to convert their convertibles into shares, at a value calculated at the start of the scheme. Both convertible debenture schemes were oversubscribed. Read more on page 13. A convertible scheme offered to the employees was concluded during 2016.

## ITAB ACADEMY

Staff development is one of the most important aspects in order for the Group to continue to grow. The potential to build a career and receive further training is decisive for attracting and retaining employees. ITAB has tailored programmes for staff development within the Group. In future years, training opportunities will be provided to increase knowledge about ITAB and its values. This will be the next part of the valuation work that has been implemented during the year.

To enhance knowledge among employees and increase 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 ITAB's Group management. ITAB Academy lasts for a year, and the participants meets in different locations in the Group on several different occasions. The programme results in increased understanding and knowledge about operations in 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. The participants also gain increased knowledge about the working model, the geographic location and the long-term customer relations. A programme in which 25 people from 12 different countries participated was concluded during the year.

**"FOR ME, ITAB ACADEMY** has largely been about an increased sense of community. I now find it easier to understand colleagues from other companies and cultures. With greater knowledge about the Group, I now think about things from more of a global perspective, based on the whole of ITAB."

***Jana Störer***
*Controller in Germany*

**"THROUGH ITAB ACADEMY,** it will be easier to contact other companies in the Group in future. By understanding the differences between various cultures, it is easier to interact with them, as well as with customers from different countries."

***Frans Lurling***
*Project manager in the Netherlands*

**ITAB IS STRIVING TO ENSURE THAT** all employees feel that they are part of the Group and receive clear information about the business, working model and market position. The Group-wide code of conduct communicates what ITAB stands for to all employees. As the Group has grown, the work to strengthen the identity and the brand within the organisation has intensified. Valuation work has been conducted during the year, and a driver and core values have been developed.


Creating the ultimate shopping experience, close to you

# 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 net sales.

**Profit margin.** Profit after financial items in relation to net sales.

**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 deferred tax liabilities as well as convertible debenture loans in relation to total capital.

**Interest-bearing net debt** Non-current and current interest-bearing liabilities minus interest-bearing assets as well as cash and cash equivalents

**Return on equity.** The net 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 capital employed.** Profit after financial items plus financial expenses in relation to average balance sheet total minus non interest-bearing liabilities.

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

**Earnings per share.** Net profit 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.

**EBITDA** Operating profit before planned depreciation and before depreciation of consolidated surplus values in intangible assets.

# 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 accounts and consolidated accounts for the 2016 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, checkouts, self-checkout solutions, entrance systems and professional lighting systems. Customers include the leading players in Europe that have operations on the global market. ITAB has subsidiary companies in Argentina, Belgium, Brazil, Chile, China, the Czech Republic, Denmark, Dubai, Estonia, Finland, France, Germany, Hungary, India, Italy, Latvia, Lithuania, Malaysia, the Netherlands, Norway, Poland, Portugal, Russia, Spain, 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 currently the market leader of checkouts to retailers in Europe, and one of Europe's largest suppliers of shop fitting concepts and lighting systems.

#### COMMENTS ON THE GROUP'S DEVELOPMENT

Currency-adjusted sales, including the acquisitions made during the year, increased by 7%. Sales have developed better in Central Europe and Eastern Europe, while Scandinavia and the UK have been on a par with last year. The lighting segment has not developed quite as well. The acquired La Fortezza Group has been integrated into the Group as from 1 October, and sales during the quarter amounted to approximately SEK 300 million, which is in line with our expectations.

In order to create future synergies in conjunction with implemented acquisitions, the Group has had costs of a non-recurring nature totalling approximately SEK 95 million during the year. These are made up of acquisition, integration and restructuring costs, including the planned closure of the manufacturing unit in Belgium and the merger of two production units in Finland. Net profit for the year after financial items, excluding costs of a non-recurring nature, fell by 4%. La Fortezza has contributed almost SEK 20 million to profit after financial items. The poorer earnings for the whole year can primarily be explained by the sales trend at the start of the year combined with an unfavourable sales mix during the first three quarters.

The gross margin, not including non-recurring items, is continuing to strengthen, which indicates that the long-term work aimed at streamlining all parts of our operation in order to improve our offer has produced results. In order to satisfy future market requirements, the Group has conducted investments totalling almost SEK 182 million (110) during the year, including in land in China, where preparations are in progress for the construction of a new production facility.

#### NET SALES AND PROFIT

The year's net sales amounted to SEK 5,417 million (5,193), an increase of SEK 224 million compared to the previous year. The operating profit amounted to SEK 371 million (508). Profit after financial items amounted to SEK 361 million (476). The Group has incurred costs of a non-recurring nature amounting to SEK 95 million for acquisitions, integration and restructuring work. This has affected gross profit by SEK 61 million, sales costs by SEK 18 million and administration costs by SEK 16 million. The Group's operating profit, excluding costs of a non-recurring nature, amounted to SEK 466 million (508), while profit after financial items amounted to SEK 456 million (476). Net profit after tax amounted to SEK 260 million (374).

#### SEASONAL VARIATIONS

ITAB's operations are affected to a certain extent by seasonal variations. The sales volumes are often lower at the start of the year and then gradually increase during the year. As a result, sales and earnings are generally higher above all during the third quarter but also in the fourth quarter. Diagrams showing the quarterly net sales and earnings can be seen on page 7.

#### CASH FLOW, FINANCING AND LIQUIDITY

Cash flow from operating activities amounted to SEK 396 million (411) during the year. The net debt was SEK 1,722 million (721). The Group's cash and cash equivalents, including undrawn committed credit facilities, amounted to SEK 887 million (630) on closing day.

#### INVESTMENTS

Consolidated net investments amounted to SEK 919 million (166), of which SEK 737 million (56) can be attributed to corporate transactions conducted during the period.

#### SHARE DATA

Earnings per share amounted to SEK 2.36 (3.44) before dilution, and SEK 2.33 (3.37) after dilution. Equity per share amounted to SEK 14.77 (14.38). The share of risk-bearing capital at the end of the period was 35.7 per cent (50.3). See also pages 10-13.

#### EMPLOYEES

The average number of employees during the year amounted to 3,097 (2,829). For more information, see Note 8.

#### PARENT COMPANY

The Group's parent company, ITAB Shop Concept AB, does not conduct any operational activities. ITAB Shop Concept AB comprises the Group management and support functions for the Group. The parent company's net sales amounted to SEK 47 million (40) and relate to income from subsidiaries. Profit after financial items amounted to SEK 253 million (102) and includes dividends from subsidiaries totalling SEK 355 million (154). Net investments amounted to SEK 795 million (66), of which 793 (60) relates to the acquisition of shares in subsidiary companies.

#### IMPORTANT EVENTS AND ACQUISITIONS

- Non-recurring costs totalling SEK 95 million have been charged to operating profit during the year.
- ITAB has entered into a long-term agreement with one of Europe's major non-food chains regarding the delivery of lighting.
- ITAB has acquired La Fortezza Group, which has its head office in Italy.
- ITAB has acquired Pikval Group in Finland, MB Shop Design in Hillerstorp and LICHTSPIEL in Germany.
- ITAB will supply a test installation of the EasyFlow self-checkout system to a major supermarket chain in the USA.
- 3:1 split of ITAB's shares on 26 May 2016.

For more information about the acquisitions, see pages 7, 16-17 and Note 5 on page 65-66.

#### IMPORTANT EVENTS AFTER THE END OF THE PERIOD

No significant events have occurred after the closing day.

#### 3:1 SPLIT OF SHARES

As of 26 May 2016, shares in ITAB Shop Concept AB (publ) were traded following the 3:1 split. At the AGM on 11 May 2016, a decision was adopted to split the company's shares 3:1, which means that each previous share was divided into three shares of the same type.

#### SHARES AND OWNERSHIP STRUCTURE

The company was listed for trade on First North in 2004. Since July 2008, the company has been listed on Nasdaq Stockholm. During the year, the number of Class B shares in the company has increased by 1,897,800 and the number of Class A shares has decreased by 1,233,600. The number of votes has decreased by 10,438,200. The change in the number of shares is a result of the completion and registration with the Swedish Companies Registration Office of a conversion of ITAB Shop Concept convertibles 2012/2016, as well as conversions of Class A shares to Class B shares requested by shareholders in accordance with the conversion restriction introduced by the 2016 Annual General Meeting. The total number of shares in the company following the change is 102,383,430, which divides into 22,166,400 Class A shares and 80,217,030 Class B shares. The number of voting rights totals 301,881,030. 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. Petter Fägersten controls 17.23 per cent of the capital and 52.61 per cent of the votes. Pomona-gruppen holds 29.49 per cent of the capital and 29.32 per cent of the votes. The number of shareholders at closing day was 3,586 (4,955). See also the section on the distribution of shares and shareholders on pages 10-13.

▶

**DIVIDEND POLICY**

The share dividends will, over an extended period, mirror the company's earnings and correspond to at least 30% of the company's profit after tax. The dividend will, however, be adjusted to the company's investment needs and share repurchase schemes when relevant. The Board of Directors is proposing to the 2017 Annual General Meeting a dividend of SEK 1.75 per share for the 2016 financial year.

**RISKS AND UNCERTAINTIES**

The Group's most significant risks and uncertainties include business risks and financial risks. The financial risks are managed by the finance policy adopted by the Board of Directors. A more detailed account of the Group's significant financial risks can be found in Note 4.

ITAB's business risks are associated with its 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 on 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 21 production facilities in Europe and in China, with a total area of approximately 300,000 m$^2$. The largest production facilities are in Finland, France, Italy, China, the UK, Sweden, the Czech Republic and Germany. 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.
Read about ITAB's larger factories on pages 36-37.

*Input goods*

Metal is a dominant raw material when it comes to input goods. Raw material prices are dependent on world market prices and exchange rate fluctuations, as well as production capacity. However, price fluctuations for raw materials have a limited effect on the Group's results, as many client agreements contain raw material clauses. The management of price risks forms part of the daily work and is evaluated continually.

*Distribution*

ITAB is dependent on external partners 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. ITAB has drawn up a report for 2016 regarding its sustainability work according to GRI's framework. More information can be found on pages 38-45 and 92-93.

**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 2016, SEK 10 million (13) was capitalised as development charges and is recognised as an intangible asset. Depreciation and development costs of SEK 14 million (5) have been charged to profit.

**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 89.

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

During the 2016 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 controls.

**NOMINATION COMMITTEE**

The company shall have a Nomination Committee. The Nomination Committee will propose a Chairman of the Board and other Board members, as well as fees and other remuneration for Board assignments for each of the Board members. In the assessment of the Board's evaluation and in its proposals, the Nomination Committee will pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. The Nomination Committee will also submit proposals regarding the choice of auditor and fees for the auditor. At the 2016 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Johan Storm. Prior to the 2017 AGM, the Nomination Committee has held one minuted meeting to date. In addition, the Nomination Committee has a number of contacts.

**AGREEMENTS**

In 2016, the company has had an agreement with Board member Sune Lantz, who assisted the company with consulting services in his normal professional area of expertise. There are no other agreements between the company and the members of the Board of Directors, apart from agreements relating to Board directorships.

**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 86-89.

**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 2017 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 Fredrik Rapp (Chair), Lottie Svedenstedt and Anders Moberg, with CEO Ulf Rostedt as an additional member. The CEO is not present when issues regarding remuneration to the CEO are handled. Refer also to Note 8.

**REPURCHASE OF CONVERTIBLE DEBENTURES 2012/2016**

During 2012, convertible bonds with a nominal value of SEK 40 million were issued to employees in the ITAB Group. This loan expired on 30 June 2016. Following a decision at the Annual General Meeting on 11 May 2016, all holders were given the option of selling the convertibles back to the company at an estimated market value. Holders of a nominal SEK 25.9 million decided to accept this offer. A further nominal SEK 0.5 million was repaid on the maturity date. Holders of a nominal SEK 13.6 million requested conversion of their claim to new shares. Through the conversion, 664,200 new Class B shares were issued. The dilution amounted to 0.6% of the share capital and 0.2% of the number of votes.

**CONVERTIBLE DEBENTURES 2014/2018**

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 offer was heavily oversubscribed. The allocation totalled 602,004 convertibles, and during the period 1 June 2018 to 11 June 2018 each convertible can be converted to one Class B share at a conversion rate of SEK 49.83 (the recalculation has taken place as a result of the implemented 2:1 and 3:1 share split).

**CONVERTIBLE DEBENTURES 2016/2020**

On 11 May 2016, the Annual General Meeting of ITAB Shop Concept AB decided to approve the Board's proposal to issue a maximum of 1,950,000 convertibles with a maximum total nominal value of SEK 275,000,000 with a term from 1 July 2016 to 30 June 2020. Subscription applications were made in the period from 26 May to and including 8 June 2016. The level of interest in the convertible programme was considerable – approximately 440 employees in 13 countries decided to participate, and the issue was oversubscribed by more than 50 percent. Employees of the ITAB Group have been allocated 1,950,000 convertibles at an issue price of SEK 86, representing a nominal value of SEK 167,700,000. The interest rate is STIBOR 3M plus 2.20 percent and interest is paid annually in arrears. All convertibles can be converted into Class B shares in ITAB in the period from 1 June 2020 to and including 12 June 2020. If all the convertibles are converted into shares, the dilution effect on the share capital will be approximately 1.9 percent, and on the voting rights approximately 0.6 percent, based on the current total number of shares.

**FUTURE PROSPECTS**

The long-term work aimed at streamlining all parts of the operation in order to improve the offer will continue. The efficiency measures that have been conducted during the year, with particular focus on Belgium and Finland, are providing a good position ahead of 2017. The Group has considerable confidence in its all-inclusive concept and geographic location for the years ahead. The global presence is becoming even more important, as several of the customers are expanding into large parts of the world. The acquisition of La Fortezza Group is another part of the Group's efforts to strengthen its global presence. In parallel with this, there are continued opportunities to develop the position in existing markets. In the long term, ITAB believes that its customers will be on the look-out for more effective solutions, for stores but also for the process of establishing stores.

# PROPOSED ALLOCATION OF PROFITS

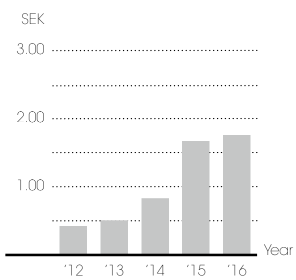
| PARENT COMPANY | |
|---|---|
| *The following funds are at the disposal of the Annual General Meeting: (SEK)* | |
| Share premium reserve | 310,155,670 |
| Profit brought forward | 99,914,690 |
| Net profit for the year | 311,939,666 |
| **TOTAL** | **722,010,026** |
| *The Board of Directors and CEO propose that these funds be distributed as follows: (SEK)* | |
| To be paid as dividends to shareholders at SEK 1.75 per share (102,383,430 shares) | 179,171,003 |
| To be carried forward to a new account | 542,839,023 |
| **TOTAL** | **722,010,026** |

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

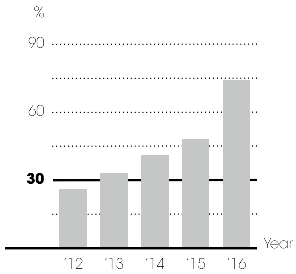
The proposed dividend is made up 23.2% of the Parent Company's equity and 11.8% of the Group's equity attributable to the Parent Company's shareholders. After the proposed dividends, the equity/assets ratio is secure since the company's and Group's business activities continue to be run profitably. The 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 NET EARNINGS (%)**



# FINANCIAL REVIEW – FIVE YEARS IN SUMMARY

| Income statements (SEK millions) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Net Sales | 5,417 | 5,193 | 3,938 | 3,574 | 3,511 |
| Cost of goods sold | -3,923 | -3,729 | -2,827 | -2,628 | -2,614 |
| **GROSS PROFIT [1)]** | **1,494** | **1,464** | **1,111** | **946** | **897** |
| Selling expenses | -861 | -757 | -595 | -525 | -521 |
| Administrating expenses | -255 | -221 | -207 | -166 | -152 |
| Other operating income and expenses | -7 | 22 | 16 | -9 | 11 |
| **OPERATING PROFIT [1)]** | **371** | **508** | **325** | **246** | **235** |
| Financial items | -10 | -32 | -37 | -29 | -32 |
| **PROFIT AFTER FINANCIAL ITEMS [1)]** | **361** | **476** | **288** | **217** | **203** |
| Tax on the year's income | -101 | -102 | -70 | -55 | -41 |
| **NET PROFIT FOR THE YEAR** | **260** | **374** | **218** | **162** | **162** |
| *Related to:* | | | | | |
| Parent Company shareholders | 241 | 350 | 204 | 152 | 153 |
| Non controlling interests | 19 | 24 | 14 | 10 | 9 |

*1) Profits have been affected by acquisition, integration and restructuring costs (non-recurring items) during 2016 to a value of SEK 95 million. Gross profit has been affected by SEK 61 million, sales costs by SEK 18 million and administration costs by SEK 16 million.*

| Balance sheets (SEK millions) | | | | | |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Intangible assets | 1,597 | 755 | 677 | 613 | 583 |
| Property, plant and equipment | 865 | 549 | 546 | 501 | 516 |
| Other non-current assets | 107 | 48 | 49 | 25 | 22 |
| **NON-CURRENT ASSETS** | **2,569** | **1,352** | **1,272** | **1,139** | **1,121** |
| Inventory | 1,036 | 859 | 821 | 710 | 682 |
| Current receivables | 1,306 | 844 | 826 | 664 | 573 |
| Cash and cash equivalents | 404 | 258 | 124 | 142 | 134 |
| **CURRENT ASSETS** | **2,746** | **1,961** | **1,771** | **1,516** | **1,389** |
| **TOTAL ASSETS** | **5,315** | **3,313** | **3,043** | **2,655** | **2,510** |
| *Equity and liabilities* | | | | | |
| Equity attributable to Parent Company shareholders | 1,512 | 1,463 | 1,225 | 997 | 885 |
| Non controlling interests | 122 | 83 | 63 | 42 | 31 |
| Deferred tax liabilities | 77 | 52 | 49 | 49 | 64 |
| Convertible debenture loan | 185 | 69 | 69 | 40 | 40 |
| Other non-current liabilities | 1,083 | 164 | 126 | 130 | 200 |
| Other current liabilities | 2,336 | 1,482 | 1,511 | 1,397 | 1,290 |
| **TOTAL EQUITY AND LIABILITIES** | **5,315** | **3,313** | **3,043** | **2,655** | **2,510** |

| Cash flow (SEK millions) | | | | | |
|---|---|---|---|---|---|
| Cash flow from operating activities before change in working capital | 378 | 465 | 258 | 236 | 258 |
| Change in working capital | 18 | -54 | 19 | -99 | 14 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **396** | **411** | **277** | **137** | **272** |
| Cash flow from investing activities | -919 | -166 | -172 | -91 | -92 |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | **-523** | **245** | **105** | **46** | **180** |
| Cash flow from financing activities | 653 | -109 | -148 | -39 | -41 |
| **CASH FLOW FOR THE YEAR** | **130** | **136** | **-43** | **7** | **139** |

| Key ratios | | | | | |
|---|---|---|---|---|---|
| Operating margin, % | 6.8 | 9.8 | 8.3 | 6.9 | 6.7 |
| Operating margin, % excluding costs of a non-recurring nature | 8.6 | 9.8 | 8.3 | 6.9 | 6.7 |
| Profit margin, % | 6.7 | 9.2 | 7.3 | 6.1 | 5.8 |
| Profit margin, % excluding costs of a non-recurring nature | 8.4 | 9.2 | 7.3 | 6.1 | 5.8 |
| Interest-coverage ratio, multiple | 4.9 | 16.6 | 9.9 | 7.5 | 6.7 |
| Equity related to the Parent Company's shareholders, SEK millions | 1,512 | 1,463 | 1,225 | 997 | 885 |
| Equity, SEK millions | 1,634 | 1,546 | 1,288 | 1,039 | 916 |
| Risk-bearing capital, SEK millions | 1,896 | 1,667 | 1,406 | 1,128 | 1,020 |
| Interest-bearing net debt, SEK millions | 1,722 | 721 | 880 | 890 | 896 |
| Balance sheet total, SEK millions | 5,315 | 3,313 | 3,043 | 2,655 | 2,510 |
| Equity/assets ratio, % | 30.7 | 46.7 | 42.3 | 39.1 | 36.5 |
| Share of risk-bearing capital, % | 35.7 | 50.3 | 46.2 | 42.5 | 40.6 |
| Return on equity, % | 16.5 | 26.2 | 18.8 | 16.6 | 20.7 |
| Return on capital employed, % | 13.6 | 20.0 | 14.7 | 12.3 | 12.6 |
| Return on total capital, % | 10.2 | 15.0 | 11.3 | 9.5 | 9.4 |
| Depreciation according to plan, SEK millions | 111 | 88 | 83 | 77 | 83 |
| Net investments excl. business acquisitions, SEK millions | 182 | 110 | 80 | 88 | 64 |
| Net investments attributable to corporate transactions, SEK millions | 737 | 56 | 92 | 3 | 27 |
| Net investments, SEK millions | 919 | 166 | 172 | 91 | 91 |
| Average no. employees, no. | 3,097 | 2,829 | 2,441 | 2,277 | 2,194 |

*Definitions, see page 48.*

# COMMENTS ON FIVE YEARS IN SUMMARY

**NET SALES**

During the period 2012-2016, ITAB's net sales increased from SEK 3,511 million to SEK 5,417 million. This corresponds to an average annual sales increase of 11%. In addition to organic growth, the acquisitions of New Store Europe and La Fortezza Group in particular have contributed positively to the change in sales, while altered exchange rates have also had a positive impact on the change in net sales.

During the period, a number of long-term agreements have been concluded with leading chain stores. These have laid the foundation for the company's position as the leading all-inclusive supplier of shop fittings in the Europe. The work of creating more efficient solutions in shops and in the process of establishing shops is important for the Group's growth, as is the all-inclusive offer that includes shop concepts, checkouts, self-checkout solutions and professional lighting systems.

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 in 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 grew 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 were 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.

In 2015, net sales increased by SEK 1,255 million, an increase of 32%. Currency-adjusted sales rose by 25%. The majority of the growth relates to the acquisitions principally of New Store Europe, which was acquired at the end of 2014, as well as JPD which was acquired in January 2015. Organic growth has been greatest with regard to lighting systems.

In 2016, net sales grew by SEK 224 million, an increase of 4%. Currency-adjusted sales rose by 7%. This increase was mainly due to the acquisitions of La Fortezza Group, which was acquired in October 2016, as well as Pikval Group and MB Shop Design, both of which were acquired in May 2016. Central Europe and North East recorded increased sales, while Scandinavia and the UK were on a par with the previous year. The lighting segment did not develop quite as well.

**PROFITABILITY**

Operating profit during the five-year period varied between a minimum of SEK 235 million (2012) and a maximum of SEK 508 million (2015). The five-year period's operating margin has swung between 6.7% and 9.8%. Income after net financial items reached between SEK 203 million (2012) and SEK 476 million (2015). The five-year period's profit margin has swung between 5.8% and 9.2%.

Profitability improved during 2012, despite only a marginal increase in sales. The improvement 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 was due to the fact that the effects of the long-term work aimed at strengthening the gross margin, primarily through efficiency improvements, 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. In 2015, the operating margin increased to 9.8%. This year as well, the improvement was due to increased sales volumes and increased capacity in the Group's production facilities. In addition, synergy effects in conjunction with acquisitions have contributed to the improvement in the margin. In 2016, the operating margin fell to 6.8%. This downturn was mainly due to the fact that profits were affected by costs of a non-recurring nature for acquisitions, integration and restructuring work. In addition, the downturn can be explained by a weaker sales trend at the start of 2016 combined with an unfavourable sales mix during the first three quarters of the year.

The Group's return on equity after tax has averaged approximately 20% 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 during the period 2012-2016, excluding business acquisitions, amounted to between two and three per cent of net sales.

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. As a result, ITAB is very well equipped to face the future and the need for investment over the next few years is deemed to be limited. For 2012-2016, a significant share of the net investments also refers to development of various self-checkout solutions for shops.

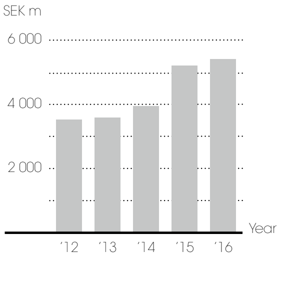
The five-year period's investments related to business acquisitions centered on reinforcing the company's position as an all-inclusive shop fittings supplier to the Group's selected markets, as well as reinforcing and adding to the content of the product portfolio in certain areas.

**FINANCIAL PERFORMANCE**

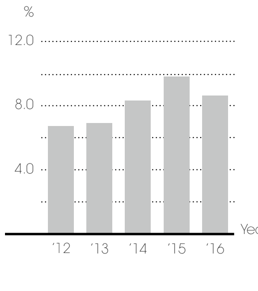
The balance sheet total has increased from SEK 2,510 million in 2012 to SEK 5,315 million in 2016. This increase is in part due to the investments that have been made in both production facilities and equipment, and in part to the period's corporate acquisitions. The expansion has been realised with the aid of a positive cash flow from current activities as well as bank financing, primarily in respect of the acquisitions in 2016. This has meant that the interest-bearing net liability has been gradually reduced from SEK 896 million in 2012 to SEK 721 million in 2015, before increasing to SEK 1,722 million in 2016.

The Group's equity/assets ratio has stood at a level between 31% and 47% over the last five years, and the proportion of risk-bearing capital has varied between 36% and 50%. The Group's goal is to have risk-bearing capital of at least 25%.

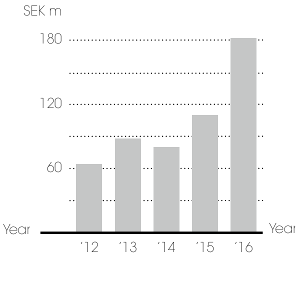
**▼ NET SALES (SEK MILLIONS)**



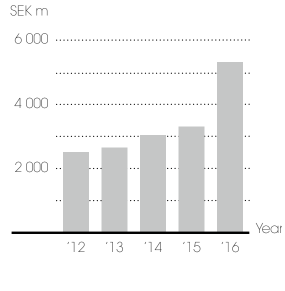

**▼ OPERATING MARGIN (%)**
*adjusted for non-recurring items*



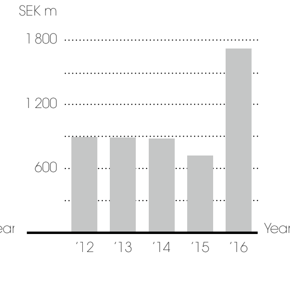

**▼ INVESTMENTS EXCL. BUSINESS ACQUISITIONS (SEK MILLIONS)**




**▼ BALANCE SHEET TOTAL (SEK MILLIONS)**




**▼ INTEREST-BEARING NET DEBT (SEK MILLIONS)**



# INCOME STATEMENT - GROUP

| (SEK millions) | Note | 2016 | 2015 |
|---|---|---|---|
| Net Sales | 6 | 5,417 | 5,193 |
| Cost of goods sold | 8, 9, 10, 11 | -3,923 | -3,729 |
| **GROSS PROFIT** | | **1,494** | **1,464** |
| Selling expenses | 8, 9, 10, 11 | -861 | -757 |
| Administrating expenses | 8, 9, 10, 11 | -255 | -221 |
| Other operating income | 12 | 33 | 43 |
| Other operating expenses | 12 | -40 | -21 |
| **OPERATING PROFIT** | | **371** | **508** |
| Financial income | 14 | 28 | 3 |
| Financial expenses | 14 | -38 | -35 |
| **PROFIT AFTER FINANCIAL ITEMS** | | **361** | **476** |
| Tax expenses for the year | 16 | -101 | -102 |
| **NET PROFIT FOR THE YEAR** | | **260** | **374** |
| Net Profit for the year related to: | | | |
| Parent Company shareholders | | 241 | 350 |
| Non-controlling interests | | 19 | 24 |
| EARNINGS PER SHARE | 17 | | |
| basic, SEK | | 2.36 | 3.44 |
| diluted, SEK | | 2.33 | 3.37 |

# STATEMENT OF OTHER COMPREHENSIVE INCOME – GROUP

| (SEK millions) | Note | 2016 | 2015 |
|---|---|---|---|
| **NET PROFIT FOR THE YEAR** | | **260** | **374** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified to the income statement:** | | | |
| Revaluation of defined-benefit pension commitments | 29 | -3 | 1 |
| Tax relating to items not to be reclassified | 16 | 1 | 0 |
| | | -2 | 1 |
| **Items that may be reclassified to the income statement:** | | | |
| Translation difference when translating foreign operations | | 15 | -32 |
| Change in fair value of hedges of net investments | | 1 | 5 |
| Change in fair value of cash flow hedges | | -10 | 4 |
| Change in fair value of cash flow hedges transferred to the year's profit or loss | | 13 | -4 |
| Tax on items that may be reclassified | 16 | -1 | -1 |
| | 25 | 18 | -28 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **16** | **-27** |
| **YEAR'S COMPREHENSIVE INCOME** | | **276** | **347** |
| The year's comprehensive income related to: | | | |
| Parent Company shareholders | | 255 | 323 |
| Non-controlling interests | | 21 | 24 |

## STATEMENT OF FINANCIAL POSITION – GROUP

| (SEK millions) | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | | |
| *Intangible assets* | | | |
| Goodwill | | 1,436 | 623 |
| Other intangible assets | | 161 | 132 |
| | 10.18 | **1,597** | **755** |
| *Property, plant and equipment* | | | |
| Buildings and land | | 427 | 274 |
| Plant and machinery | | 278 | 182 |
| Equipment, tools and installations | | 105 | 78 |
| Construction in progress and advance payments for property, plant and equipment | | 55 | 15 |
| | 6,10,19,22 | **865** | **549** |
| Deferred tax assets | 16 | 101 | 47 |
| Financial non-current assets | 21 | 6 | 1 |
| | | **107** | **48** |
| **TOTAL NON-CURRENT ASSETS** | | **2,569** | **1,352** |
| CURRENT ASSETS | | | |
| Inventory | 23 | 1,036 | 859 |
| Accounts receivables | 4.21 | 1,100 | 726 |
| Current tax assets | | 37 | 18 |
| Derivative receivables | 21.27 | 11 | 4 |
| Other receivables | 21 | 91 | 46 |
| Prepaid expenses and accrued income | 24 | 67 | 50 |
| Cash and cash equivalents | 21.27 | 404 | 258 |
| **TOTAL CURRENT ASSETS** | | **2,746** | **1,961** |
| **TOTAL ASSETS** | | **5,315** | **3,313** |
| **EQUITY AND LIABILITIES** | | | |
| SHAREHOLDERS´ EQUITY | | | |
| Share capital | | 43 | 42 |
| Other contributed capital | | 315 | 291 |
| Other reserves | | -35 | -51 |
| Profit brought forward including net profit for the year | | 1,189 | 1,181 |
| Equity attributable to Parent Company shareholders | 25 | **1,512** | **1,463** |
| Non-controlling interests | | 122 | 83 |
| **TOTAL EQUITY** | 27 | **1,634** | **1,546** |
| NON-CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 21,22,27 | 800 | 90 |
| Convertible debenture loan | 21,27,28 | 185 | 29 |
| Derivative liabilities | 21.27 | 34 | 30 |
| Other non-current liabilities | 21 | 193 | 30 |
| Provisions for pensions and similar obligations | 29 | 32 | 5 |
| Provision for deferred tax liabilities | 16.27 | 77 | 52 |
| Other non-current provisions | 30 | 24 | 9 |
| | | **1,345** | **245** |
| CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 21,22,27 | 469 | 15 |
| Convertible debenture loan | 21,27,28 | - | 40 |
| Overdraft facilities | 21.27 | 650 | 778 |
| Derivative liabilities | 21.27 | 0 | 1 |
| Advance payments from customers | 21 | 22 | 9 |
| Accounts payable | 21 | 641 | 374 |
| Current tax liabilities | | 68 | 44 |
| Other liabilities | 21 | 155 | 61 |
| Accrued expenses and prepaid income | 21.31 | 284 | 200 |
| Current provisions | 30 | 47 | 0 |
| | | **2,336** | **1,522** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,315** | **3,313** |

# STATEMENT OF CHANGES IN EQUITY – GROUP

| (SEK millions) | Share capital | Other contrib-uted capital | Other reserves (See Note 25) | Profit brought forward | Attributable to Parent Company shareholders | Related to holdings with-out controlling influence | Total equity |
|---|---|---|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY 1 JANUARY 2015** | **42** | **291** | **-23** | **915** | **1,225** | **63** | **1,288** |
| Net profit for the year | | | | 350 | 350 | 24 | 374 |
| Revaluation of defined-benefit pension commitments | | | | 1 | 1 | | 1 |
| Translation difference, foreign operations | | | -32 | | -32 | 0 | -32 |
| Hedging of net investment | | | 4 | | 4 | | 4 |
| Hedging of cash flow | | | 0 | | 0 | | 0 |
| **YEAR'S COMPREHENSIVE INCOME** | | | **-28** | **351** | **323** | **24** | **347** |
| Dividends | | | | -85 | -85 | -4 | -89 |
| **SHAREHOLDERS' EQUITY 31 DECEMBER 2015** | **42** | **291** | **-51** | **1,181** | **1,463** | **83** | **1,546** |
| Net profit for the year | | | | 241 | 241 | 19 | 260 |
| Revaluation of defined-benefit pension commitments | | | | -2 | -2 | | -2 |
| Translation difference, foreign operations | | | 13 | | 13 | 2 | 15 |
| Hedging of net investment | | | 1 | | 1 | | 1 |
| Hedging of cash flow | | | 2 | | 2 | | 2 |
| **YEAR'S COMPREHENSIVE INCOME** | | | **16** | **239** | **255** | **21** | **276** |
| Dividends | | | | -170 | -170 | -5 | -175 |
| Acquisition of part-owned companies | | | | | 0 | 23 | 23 |
| Effect of issued convertible loan KV5B | | 11 | | | 11 | | 11 |
| Repurchase of convertible debentures KV3B | | | | -61 | -61 | | -61 |
| Conversion of convertible debenture loan KV3B | 1 | 13 | | | 14 | | 14 |
| **SHAREHOLDERS´ EQUITY 31 DECEMBER 2016** | **43** | **315** | **-35** | **1,189** | **1,512** | **122** | **1,634** |

# STATEMENT OF CASH FLOWS – GROUP

| Indirect method (SEK millions) | Note | 2016 | 2015 |
|---|---|---|---|
| *Operating activities* | | | |
| **OPERATING PROFIT** | | **371** | **508** |
| Adjustment for items not included in the cash flow | | | |
| depreciation and impairment charged to operating profit | 10 | 111 | 88 |
| adjustment for pensions and other provisions | | 49 | -19 |
| other items | | 7 | 1 |
| **TOTAL** | | **538** | **578** |
| interest received | | 3 | 3 |
| interest paid | | -35 | -30 |
| tax paid | | -128 | -86 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **378** | **465** |
| *Change in working capital* | | | |
| changes in inventories (increase -/decrease +) | | 4 | -31 |
| changes in operating receivables (increase -/decrease +) | | 46 | -13 |
| changes in operating liabilities (increase +/decrease -) | | -32 | -10 |
| **Total change in operating capital** | | **18** | **-54** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **396** | **411** |
| *Investing activities* | | | |
| acquisition of operations/Group companies, | | | |
| effect on cash and cash equivalents | 5 | -718 | -53 |
| additional considerations paid | 5 | -19 | -3 |
| Purchase of intangible assets | 18 | -11 | -14 |
| Purchase of property, plant and equipment | 19 | -181 | -109 |
| sale of property, plant and equipment | 19 | 10 | 13 |
| **Cash flow from investing activities** | | **-919** | **-166** |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | | **-523** | **245** |
| *Financing activities* | | | |
| convertible debenture loan | 28 | 168 | - |
| repurchase warrants | | -47 | - |
| amortised loans | | -7 | -29 |
| new loan raised | | 714 | 9 |
| Paid dividend to holdings without controlling influence | | -5 | -4 |
| Paid dividend to shareholders | | -170 | -85 |
| **Cash flow from financing activities** | | **653** | **-109** |
| **CASH FLOW FOR THE YEAR** | | **130** | **136** |
| CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR | | 258 | 124 |
| Translation differences on cash and cash equivalents | | 16 | -2 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **404** | **258** |

## INCOME STATEMENT - PARENT COMPANY

| (SEK millions) | Note | 2016 | 2015 |
|---|---|---|---|
| Net sales | 7 | 47 | 40 |
| Cost of goods sold | 7,8,9,10,11 | -11 | -10 |
| **GROSS PROFIT** | | **36** | **30** |
| Selling expenses | 7,8,9,10,11 | -24 | -21 |
| Administrating expenses | 7,8,9,10,11 | -28 | -25 |
| Other operating income | 12 | 16 | 36 |
| Other operating expenses | 12 | -19 | -22 |
| **OPERATING PROFIT** | | **-19** | **-2** |
| Income from participations in Group companies | 13 | 361 | 154 |
| Expenses from participations in Group companies | 13 | -49 | -19 |
| Financial income | 14 | 7 | 8 |
| Financial expenses | 14 | -47 | -39 |
| **PROFIT AFTER FINANCIAL ITEMS** | | **253** | **102** |
| Year-end appropriations | 15 | 62 | 15 |
| **PROFIT BEFORE TAX** | | **315** | **117** |
| Tax expenses for the year | 16 | -2 | 4 |
| **NET PROFIT FOR THE YEAR** | | **313** | **121** |

## STATEMENT OF OTHER COMPREHENSIVE INCOME

| (SEK millions) | | |
|---|---|---|
| Net profit for the year | 313 | 121 |
| Other comprehensive income | - | - |
| **YEAR'S COMPREHENSIVE INCOME** | **313** | **121** |

## BALANCE SHEET – PARENT COMPANY

| (SEK millions) | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | | |
| *Property, plant and equipment* | | | |
| Equipment, tools and installations | 10.19 | 7 | 1 |
| Construction in progress | 10.19 | - | 5 |
| *Financial non-current assets* | | | |
| Participations in Group companies | 20 | 2,211 | 1,267 |
| Non-current receivables, Group companies | 21 | 65 | 83 |
| Deferred tax assets | 16 | 16 | 17 |
| **TOTAL NON-CURRENT ASSETS** | | **2,299** | **1,373** |
| CURRENT ASSETS | | | |
| Receivables, Group companies | 21 | 558 | 276 |
| Current tax assets | | 4 | 4 |
| Prepaid expenses and accrued income | 24 | 25 | 10 |
| Cash and bank balance | 21 | 0 | 0 |
| **TOTAL CURRENT ASSETS** | | **587** | **290** |
| **TOTAL ASSETS** | | **2,886** | **1,663** |
| **EQUITY AND LIABILITIES** | | | |
| SHAREHOLDERS' EQUITY | | | |
| *Restricted equity* | | | |
| Share capital | | 43 | 42 |
| Statutory reserve | | 7 | 7 |
| | | **50** | **49** |
| *Non-restricted equity* | | | |
| Share premium reserve | | 309 | 285 |
| Profit brought forward | | 100 | 210 |
| Net profit for the year | | 313 | 121 |
| | | **722** | **616** |
| **TOTAL EQUITY** | 25.26 | **772** | **665** |
| NON-CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 27 | 608 | 0 |
| Liabilities to Group companies | | 2 | 1 |
| Convertible debenture loan | 27.28 | 185 | 29 |
| Other non-current liabilities | | 193 | 22 |
| | 21 | **988** | **52** |
| CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 27 | 320 | 4 |
| Convertible debenture loan | 27.28 | - | 40 |
| Overdraft facilities | 27 | 723 | 792 |
| Accounts payable | | 5 | 4 |
| Liabilities to Group companies | | 23 | 74 |
| Other liabilities | | 41 | 19 |
| Accrued expenses and prepaid income | 31 | 14 | 53 |
| | 21 | **1,126** | **946** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,886** | **1,663** |

## STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

| | | RESTRICTED EQUITY | | NON-RESTRICTED EQUITY | | | |
|---|---|---|---|---|---|---|---|
| (SEK millions) | **Note** | Share capital | Statutory reserve | Share premium reserve | Profit brought forward | Net profit for the year | **Total equity** |
| **SHAREHOLDERS' EQUITY 1 JANUARY 2015** | | 42 | 7 | 285 | 225 | 70 | **629** |
| Previous year's profit transferred | | | | | 70 | -70 | **0** |
| Net profit for the year | | | | | | 121 | **121** |
| Paid dividends | | | | | -85 | | **-85** |
| **SHAREHOLDERS' EQUITY 31 DECEMBER 2015** | | 42 | 7 | 285 | 210 | 121 | **665** |
| Previous year's profit transferred | | | | | 121 | -121 | **0** |
| Net profit for the year | | | | | | 313 | **313** |
| Paid dividends | | | | | -170 | | **-170** |
| Effect of issued convertible loan KV5B | | | | 11 | | | **11** |
| Repurchase of convertible debentures KV3B | | | | | -61 | | **-61** |
| Conversion of convertible debenture loan KV3B | | 1 | | 13 | | | **14** |
| **SHAREHOLDERS' EQUITY 31 DECEMBER 2016** | 25,26 | 43 | 7 | 309 | 100 | 313 | **772** |

## STATEMENT OF CASH FLOWS – PARENT COMPANY

| (SEK millions) | **Note** | **2016** | **2015** |
|---|---|---|---|
| *Operating activities* | | | |
| **OPERATING PROFIT** | | **-19** | **-2** |
| Adjustments for items not included in cash flow | | | |
| depreciation charged to operating profit | | 1 | 0 |
| other items | | -1 | 0 |
| **TOTAL** | | **-19** | **-2** |
| Dividends received from subsidiaries | | 355 | 154 |
| Interest received | | 7 | 8 |
| Interest paid | | -26 | -26 |
| Tax paid | | 0 | 0 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **317** | **134** |
| *Change in working capital* | | | |
| Changes in operating receivables (increase -/decrease +) | | -14 | 3 |
| Changes in operating liabilities (increase +/decrease -) | | 5 | 1 |
| **Total change in operating capital** | | **-9** | **4** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **308** | **138** |
| *Investing activities* | | | |
| Acquisition of subsidiaries | 20 | -793 | -60 |
| Purchase of property, plant and equipment | 19 | -2 | -6 |
| **Cash flow from investing activities** | | **-795** | **-66** |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | | **-487** | **72** |
| *Financing activities* | | | |
| Convertible debenture loan | 28 | 168 | - |
| Repurchase of convertible debenture loan | | -87 | - |
| Amortised loans | | -4 | -5 |
| New loan raised | | 859 | 22 |
| Lending to Group companies | | -341 | -20 |
| Group contributions | 15 | 62 | 16 |
| Paid dividend to shareholders | | -170 | -85 |
| **Cash flow from financing activities** | | **487** | **-72** |
| **CASH FLOW FOR THE YEAR** | | **0** | **0** |
| CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR | | 0 | 0 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **0** | **0** |

# NOTES (all amounts are in SEK million 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 23 March 2017.

## NOTE 2. ACCOUNTING PRINCIPLES

**AGREEMENT WITH STANDARDS AND LAWS**

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".

**BASIS FOR PREPARATION OF THE STATEMENTS**

The Parent Company's functional currency is the Swedish krona (SEK). This means that the financial reports for the Parent Company and the Group are presented in the presentation currency Swedish krona, rounded off to the nearest million kronor.

Assets and liabilities are recognised at their historic cost values, except certain financial assets and liabilities that are measured at fair value.

**INTRODUCED NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS 2016**

The company management's assessment is that amendments and interpretations of existing standards that are to be applied from the financial year that commenced on 1 January 2016 have not had any significant impact on the Group's or the Parent Company's financial statements.

**ISSUED NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE APPLIED AS FROM 1 JANUARY 2017 OR THEREAFTER**

A number of new and amended IFRS have not yet entered into force and have not been applied early in the preparation of the Group's and the Parent Company's financial statements. The IFRS that may affect the Group's or the Parent Company's financial statements are described below. None of the other new standards, amended standards or IFRIC interpretations that IASB has published are expected to have any significant impact on the Group's or the Parent Company's financial statements.

**IFRS 9, Financial instruments.** IFRS 9 is intended to replace IAS 39. The standard is divided into three parts: classification and valuation, hedge accounting and impairment. IFRS 9 will be applied as from 1 January 2018 and has been approved by the EU. The standard will be applied by the Group and the Parent Company as from 1 January 2018. In an evaluation, it is judged that the application of IFRS 9 will not significantly affect the recognised amounts in the financial statements as regards the Group's financial assets and liabilities.

**IFRS 15 Revenue from contracts with customers.** The standard will enter into force for the financial year commencing on 1 January 2018 and has been approved by the EU. The standard will be applied retroactively. The standard is replacing all previously issued standards and interpretations involving income with a combined model for revenue recognition. The standard is based on the principle that income must be recognised when promised goods or services have been transferred to the customer, i.e. when the customer has gained control over the goods or services. This may take place over time or at a specific point in time. The new standard may have consequences regarding sales of various types of goods and/or services, as well as increased disclosure requirements. The Group has commenced an evaluation of the effects of the standard. A preliminary judgment of this evalvation is that the Group's income for the financial year 2016 will not be significantly affected.

**IFRS 16 Leasing.** IFRS 16 is replacing IAS 17 and enters into force on 1 January 2019. The EU is expected to approve the standard during 2017. At the time of the transition to the standard, the company can select either fully retroactive or a simplified method. According to the new standard, most least assets will be recognised in the balance sheet. The Group has commenced an evaluation of the effects of the standard, although a detailed analysis of the effects from the application of IFRS 16 has not yet been conducted, which is why the effects cannot yet be quantified.

**CONSOLIDATED ACCOUNTS**

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

When preparing the consolidated accounts, the financial statements for the Parent Company and the subsidiary companies are merged. The accounting principles for subsidiary companies have been amended, where applicable, in order to guarantee consistent application of the Group's principles. Intra-Group receivables and liabilities, as well as transactions, including income and expenses and unrealised gains or losses that arise from intra-Group transactions, are eliminated in their entirety.

**Business combinations**

Business combinations are reported in accordance with the acquisition method. The acquisition value comprises the actual value of assets that have been provided as payment, issued equity instruments and liabilities that have arisen or are taken over as per the transfer date. Acquisition-related costs are expensed in those periods when they arise and the services are received.

The time of acquisition is the time at which the purchaser gains a controlling influence over the acquired company. Identifiable acquired assets, transferred liabilities and contingent liabilities in a business combination are initially valued at their fair value at the time of acquisition. Certain changes to the actual values may arise due to additional information that the purchaser has received after the time of the acquisition. Such changes are adjusted during the valuation period against identified surplus values. Changes that arise from incidents after the valuation period are presented in the income statement. The conditional additional purchase sum is classified as a liability that is a financial instrument and is valued at its fair value, while any consequential profit or loss is recognised in the income statement as financial income or expenses.

If the Group-related cost for the acquisition of shares, including any amounts for holdings without a 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 acquisition 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. Goodwill that has arisen in a business acquisition is assessed at least annually if there is an impairment requirement. See also the section on intangible assets below. ►

## 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 expenses 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 expenses 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 financial 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 fair value of what has been received or will be received for sold goods and services in the Group's ongoing activities, excluding VAT, discounts and returns and after elimination of internal Group sales. Revenue is recognised if it is probable that economic benefits will flow to the Group. Income is recognised as follows:

**Sale of goods and services**

The ITAB Group sells, develops, produces and distributes shop fittings and equipment to chain-based customers. Most of ITAB's customers are major chain stores that operate internationally and have stores in several countries. As ITAB sells customised shop concepts and often sets a price for a combined product and service, the costs for producing information about revenue types separately are deemed to be unreasonable.

Revenue recognition for sales occurs in the period 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. Revenue from concept sales, including service assignments, is recognised in the profit for the year, on the basis of the degree of completion on the balance sheet date 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.

**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.

As regards interest and dividend income, see Financial income and expenses below.

## LEASING

Leases are classified as either financial 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 statement 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 for interest-bearing loan receivables and loan liabilities, as well as changes in the value of derivative instruments.

Interest income and borrowing costs are recognised in the earnings for the period to which the relevant loans are attributable. Exchange rate gains and losses on interest-bearing assets and liabilities are recognised net. Received dividends are recognised as income when the right to receive dividend has been determined.

## INCOME TAXES

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 as an expense 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 can't provide the required information for the Group to be able 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 ASSETS

**Balanced expenses for development work**

Development expenses, where the 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 in the income statement 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. Goodwill represents the future economic benefits that arise from other assets acquired in a business combination that are not individually identified and reported separately. The factors that constitute recognised goodwill are primarily synergy effects in production, logistics, staff, know-how and effective organisation. Goodwill is recognised as an intangible asset with an indeterminable useful life and 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 (IAS 36) is defined 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.

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 by the company management 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, loan receivables, accounts receivable, accounts payable, current and long-term borrowing and derivative instruments.

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 within a normal business cycle and within 12 months after the closing day, financial assets that are primarily used for trading purposes are recognised as current assets; otherwise they are recognised as non-current assets. Financial liabilities that fall due or are expected to be settled within a normal business cycle and within 12 months after the closing day, and where there is no unconditional right to postpone the liability for at least 12 months, are recognised as current liabilities; otherwise they are recognised as non-current liabilities.

**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 have been classified to be recognised at fair value in the income statement. The Group normally has a limited holding in this category, with the exception of financial derivatives that are recognised as assets and liabilities 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.

**Loans and trade receivables** 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 liabilities measured at fair value via the profit for the year** include financial liabilities that have initially been attributed to the relevant category as well as derivatives with negative values. 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 and additional considerations are recognised as liabilities and assets respectively, measured at fair value in the profit or loss.

**Financial liabilities measured at accrued cost.** 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.

**Hedging net investments in foreign operations**
The hedging of net investments in foreign operations is recognised according to the principles for hedge accounting in IAS 39. In order to apply these principles, the hedging must be documented according to the requirements in the regulations. This means that there must be an identified hedging relationship between the hedging instruments and the hedged items, as well as a link to the company's risk management policy and the goals that have been set regarding risk management. In addition, it is necessary for the hedging to effectively protect the hedged item and for the effectiveness to be able to be measured.

Investments in foreign subsidiaries (net assets including goodwill) have to a certain extent been hedged through loans in foreign currency. The exchange rate gain or loss in respect of borrowing that is deemed to be effective hedging is recognised as a translation difference when translating foreign operations in other comprehensive income. The ineffective portion is recognised immediately in the income statement's net financial items. Profit that has been reported under other comprehensive income is transferred to the income statement when the foreign operation has been divested.

In addition to loans in foreign currencies, the Group uses currency swap contracts to hedge net assets in foreign currencies. The actual value of currency hedges is recognised as a change in the fair value of hedges of net investments in other comprehensive income.

**Derivative instruments – cash flow hedging**
The derivative instruments used for hedging projected interest expenses and forecast cash flow in a foreign currency are recognised in the balance ▶

▶ sheet at fair value. Any gain or loss is recognised as a change in the fair value of cash flow hedges 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 operating profit or loss to meet translated foreign cash flows from operations.

**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 include cash and bank balances as well as short-term investments with high liquidity, with a duration of less than 3 months, and which are exposed to an insignificant risk of fluctuations in value. In the statement of financial position, the overdraft facility is recognised as borrowing among current liabilities.

**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. Provisions for restructuring operations are made when a detailed, formal plan for the measure is in place and a well-founded expectation that the restructuring will take place has been established among those who will be affected.

Provisions for deferred tax liabilities (Note 16), provisions for pensions and similar obligations (Note 29), as well as provisions for restructuring operations and other provisions as specified in Note 30, are recognised as provisions.

**CONVERTIBLE DEBENTURE LOAN**

A convertible debenture loan is a combined financial instrument that is both liability and shareholders' equity. These (IAS 32) 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 value of the equity instrument is calculated as the different between the issue payment and the fair value of the financial 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.

**RELATED PARTY TRANSACTIONS**

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 current and former Board members, senior executives and close family members of such persons. Information about transactions with related parties is presented in Note 34.

**OPERATING SEGMENT**

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.

Profits at company level, or aggregated company level, are not used as a basis for decisions on the allocation of resources. Various parameters in customer projects based primarily on strategic aspects are used as a basis instead. The majority of the Group's sales are made to major global customers, which is why the ITAB Group has a local presence in many countries. Decisions are made at Group level, in which way e.g. pricing takes place in relation to a particular customer. Pricing can entail an uneven allocation of resources between different Group units in order for the Group to win an order. The various units' level of income and profit are consequently highly dependent on the Group's other companies, which is one reason why profits are not used as a basis for decisions on the allocation of resources.

Another reason is supporting data for decisions on the allocation of production resources. This is not controlled by various units' profits, rather by the conditions that exist in various customer projects as regards the most effective production for the Group as a whole. This can entail that certain units are allocated resources for production that are not favourable from the individual unit's perspective, but that are deemed to be the best decision from a Group perspective. The corresponding argument also applies to other parameters, such as design, construction, marketing, installation, development, etc.

The business model means that a large portion of the decisions that affect the Group's various companies are taken centrally. ITAB does not have any independent financial information regarding products or product groups, as the majority of sales take the form of concept sales, with a mix of several products and services.

These conditions mean that profits are not used as a basis for decisions regarding the allocation of resources to various parts of the company, and that the Group only comprises one operating segment.

**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 and 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, a statement of other 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, shareholder contributions and dividends**

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.

Shareholder contributions are expensed directly against equity for the recipient and capitalised in shares and participations for the giver, to the extent impairment is not required.

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

**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 are recognised in the Parent Company according to the acquisition method. The investments' impairment requirements are tested annually or when there is a risk that the book value of the investment is higher than the re-acquisition value.

Dividends from subsidiaries are recognised as financial income. When dividends stem from gains earned before the acquisition, the item must be tested for impairment.

**Financial instruments**

The Parent Company does not apply IAS 39, rather financial instruments are recognised on the basis of cost according to the Annual Accounts Act, which means that financial non-current assets are valued at cost less any impairment and financial current assets are valued according to the lowest value principle. Liabilities are measured at accrued cost.

Derivative instruments for hedging forecast cash flows are not entered in the balance sheet. Changes in the value of derivatives are recognised in the same period as the hedged flow.

## NOTE 3. IMPORTANT ESTIMATES AND ASSESSMENTS

The preparation of financial reports requires that the company management performs assessments and uses estimates and assumptions that affect recognised amounts in the consolidated accounts. These estimates, assessments and attributable assumptions are based on experience and other factors that are deemed reasonable in the prevailing circumstances. The actual results may deviate from these estimates. The estimates, assessments and assumptions are reassessed regularly. Changes to estimates and assessments are recognised in the period in which the change takes place, as well as in future periods if these periods are affected.

Below are the estimates and assessments that, in the management's opinion, are important for recognised amounts in the financial statements and for which there is a significant risk that future events or new information could result in them changing.

### BUSINESS COMBINATIONS AND ADDITIONAL PURCHASE SUMS

The valuation of identifiable assets and liabilities in conjunction with the acquisition of subsidiaries or operations involves items in the acquired company's balance sheet, as well as items that have not been recognised in the acquired company's balance sheet such as customer relations, being valued at their fair value. There are normally no listed prices for the assets and liabilities that are to be valued, whereupon various valuation techniques must be applied. These valuation techniques are based on a number of different assumptions. For a production-intensive company like ITAB, fixed assets, inventories and trade receivables are significant items in the balance sheet that can be difficult to value and assess.

The valuation of identifiable assets and liabilities is also dependent on the accounting environment in which the acquired company/business has operated. Assessments are made regarding the extent of the adaptations that are required to the Group's accounting principles, the frequency with which final accounts are prepared as well as access to data that may be required to value identifiable assets and liabilities. All balance sheet items are thereby subject to estimates and assessments. This also means that a preliminary valuation is performed and subsequently adjusted. All acquisition calculations are subject to final adjustment at the latest one year after the time of the acquisition. Bearing in mind the above description and the practical potential to compile and present all individual adjustments in a way that benefits the person reading the annual report, ITAB has decided, provided this is not a case of material adjustments, not to specify separately for each individual acquisition the reasons why the first presentation of the business combination is preliminary, nor the assets and liabilities for which the first presentation is preliminary.

All payments for acquiring a subsidiary company/business are recognised on the acquisition date at fair value, including liabilities related to additional purchase sums or conditional purchase sums (jointly known as additional purchase sums). These liabilities are valued at fair value in subsequent periods, where revaluations are recognised over the income statement. The final outcome for additional purchase prices is often dependent on one or more factors, which will only be confirmed through a future development, such as the future profitability growth over an agreed period. The final outcome may therefore be below or above the initially recognised value.

### IMPAIRMENT TESTING FOR GOODWILL, OTHER INTANGIBLE ASSETS AND OTHER NON-CURRENT ASSETS

**Important sources of uncertainty in estimates**

Goodwill is not amortised, rather impairment testing is performed annually instead. Other intangible assets and other non-current assets are written off over the period the company management estimates that the asset will be consumed. In addition, regular assessments are performed as to whether there is any indication of a need for impairment. Impairment testing is based on a review of the recoverable value.

The value is estimated based on the company management's calculations of future cash flows, which are based on internal business plans and forecasts.

**Estimates and judgements**

The company management's judgement is required when it comes to impairment, particularly when assessing:

– whether an event has occurred that can affect the values of the assets,
– whether an asset's recognised value can be confirmed by the discounted current value of future cash flows, which are estimated based on the continued use of the asset in the operation,
– that adequate assumptions are used when preparing cash flow forecasts, and
– the discounting of these cash flows.

Changes to the assumptions that are made by the company management when determining the possible level for impairment can affect the financial position and operating profit.

### DEFERRED TAX

**Important sources of uncertainty in estimates**

Deferred tax claims/liabilities are recognised for temporary differences between the reported amounts for assets and liabilities and the relevant taxable values, as well as unutilised losses carry forward. Deferred tax receivables are entered on the basis of the company management's estimates of future taxable profit in various tax jurisdictions.

The actual results may differ from the estimates due to changes in business climate and tax legislation.

**Estimates and judgements**

For example, the company management estimates future taxable income in order to determine the value of deferred tax.

| Estimate/Assessment | Note |
|---|---|
| Business combinations and additional purchase sums | 5 |
| Impairment testing for goodwill, other intangible assets and other non-current assets | 18,19 |
| Deferred tax | 16 |

# 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 pages 49-51.

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 identified 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, for example by 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 occurs with ITAB Shop Concept AB as the counterparty. External currency exposure hedging is thereafter performed by the Parent Company ITAB Shop Concept AB, with consideration for the Group's currency exposure within the next 9-12 months. According to ITAB's finance policy, 50-80% of the currency risk within the time interval is hedged through forward agreements. It is also possible to adjust prices for currency fluctuations through clauses in a number of customer contracts. As a result of the hedging strategy, the impact on ITAB's profit from a reasonable fluctuation in exchange rates is deemed to be small, whereupon the currency risk analysis regarding the transaction flows is not deemed to be significant. Hedging activities to reduce transaction exposure are classified as cash flow hedges. At the end of 2016, there were cash flow hedges of projected flows in EUR, GBP, USD, CZK and NOK. The fair value of the forward agreements used to hedge forecast flows amounted to net SEK 5 million (1). The year's change in fair value, SEK 4 million (-5) after tax, has been recognised in Comprehensive income. The recovered results of the forward agreements amounted to SEK -3 million (15) before tax for 2016, which has been recognised as other operating income and expenses 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 2016, a 5 per cent change in the Swedish krona exchange rate would affect invoicing by about SEK 220 million (211) and net earnings by about SEK 15 million (20).

*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 561 million (643) as of the balance sheet date. 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 swap contracts to hedge net assets in foreign currencies. The fair value of the currency hedges is recognised against comprehensive income and can be reclassified as a financial gain or loss when swap contracts are ineffective. Recovered results from currency swap contracts amounted to SEK -5 million (-1) before tax in 2016, recognised against comprehensive income in the Group. Exchange rate fluctuations in 2016 had an impact on the Group's comprehensive income in the amount of SEK 16 million (-28) after tax. At the end of 2016, the fair value of the currency swap contracts is estimated at SEK 3 million (2).

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

| Currency, SEK millions | 31.12.2016 | 31.12.2015 |
|---|---|---|
| CZK | 118 | 83 |
| NOK | 12 | 106 |
| GBP | 76 | 133 |
| EUR[1)] | 28 | 200 |
| USD, HKD, CNY | 226 | 113 |
| Other | 101 | 8 |
| | 561 | 643 |

[1)] EUR refers also to currencies linked to EUR.

*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 | 31.12.2016 | 31.12.2015 |
|---|---|---|
| SEK | 391 | 279 |
| NOK | -40 | - |
| USD | 8 | 13 |
| CZK | 141 | 100 |
| GBP | -12 | -10 |
| EUR | -36 | -32 |

**INTEREST RISK**

The interest risk consists of interest rate changes having a negative impact on the Group's results through increased loan costs. In order to reduce the interest risk, interest rates can be tied via restricted loans or through interest rate swap agreements. The Group's interest-bearing net debt, which refers to borrowing as well as convertible debenture loans minus cash and cash equivalents, amounted to SEK 1,722 million (721) on the closing day. SEK 1,097 million (366) is financed with variable interest. The remaining SEK 625 million (355) is restricted through interest rate swap agreements and has an average fixed rate period of 86 (82) months. The average interest rate for outstanding interest-bearing liabilities was 2.85% (2.74) at year-end. A one percentage point change in interest would affect net earnings by approximately SEK 8 million (3) annually. The change in the fair value of interest rate swap agreements is recognised in comprehensive income until the hedged flow is transferred to profit or loss for the year. The change in comprehensive income amounts to SEK -2 million (7), of which SEK 10 million (11) has been transferred to the profit or loss for the year.

**Derivative instruments**

| Interest swap agreement | Nominal amount (SEK million) 2016 | Nominal amount (SEK million) 2015 |
|---|---|---|
| Duration less than 1 year | - | 23 |
| Duration 1-3 years | 52 | 9 |
| Duration 3-5 years | 121 | 120 |
| Duration 5-10 years | 452 | 203 |
| | 625 | 355 |

**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. The majority of the Group's borrowing takes place between banks and ITAB Shop Concept AB. Subsidiary companies in turn borrow from ITAB Shop Concept AB on market terms. Some local borrowing from banks in the relevant company's local currency may occur.

**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 accounts 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 1,100 million (726).

Credit risk from balances in banks and financial institutes is handled by the Parent Company in accordance with the Group's policy. The Group's total financial assets amount to SEK 1,612 million (1,035). See also Note 21, Financial assets and liabilities.

## NOTE 5. BUSINESS ACQUISITIONS AND DIVESTMENTS

**Information on purchase sums and acquired/divested net assets:**

| Purchase price | 2016 | 2015 |
|---|---|---|
| Total purchase sum excluding acquisition expenses: | 997 | 100 |
| of which unpaid purchase sum during the year | 215 | 40 |

Expenses in conjunction with acquisitions have been recognised as costs.

**ACQUISITIONS 2016**

**Acquisition of La Fortezza Group**

In July 2016, an agreement was entered into regarding the acquisition of all the shares in La Fortezza Group. The deal was conditional on competition approval, which was awarded, and the acquisition was incorporated as of 1 October 2016. La Fortezza Group is one of southern Europe's leading players within shop fittings, and has its head office in Bologna, Italy. La Fortezza conducts production and sales, as well as project management for concept shopfitting. The group has its own production facilities in Italy, France, Russia and Argentina. The Group also has operations in Spain, Portugal, Dubai and Malaysia. La Fortezza Group comprises the parent company La Fortezza SpA as well as seven wholly-owned and two part-owned subsidiary companies.

The acquisition is in line with ITAB's strategy of offering an all-inclusive concept to the retail trade. Thanks to the acquisition, ITAB is able to offer customers effective deliveries in Europe by utilising economies of scale in ITAB's and La Fortezza's production and logistics resources. Synergies are anticipated within these areas. By co-ordinating the product range, ITAB and La Fortezza can also offer a broader portfolio to the market.

The purchase price was equivalent to EUR 85 million on a debt-free basis, with a supplementary purchase price of a maximum of EUR 20 million based on the company's performance up the end of 2017. The acquisition has been financed through newly arranged credit facilities. Final liquidity will be settled during the first half of 2017 and an additional purchase price will be settled in 2018.

La Fortezza had a turnover of EUR 138 million in 2015 and has around 600 employees. The Group has a similar level of operating margin to ITAB and it is estimated that the acquisition will have a positive effect of SEK 0.65 on annual earnings per share, before synergy effects. La Fortezza has increased the ITAB Group's sales during the fourth quarter of 2016 by approximately SEK 300 million and profit after financial items by almost SEK 20 million. Expenses in conjunction with the acquisition have been recognised continually as costs and amount to almost SEK 10 million. Acquired net assets at their estimated fair value at the time of acquisition amounted to SEK 840 million, of which SEK 754 million was goodwill and SEK 31 million was intangible assets. Goodwill that has arisen in the transaction consists primarily of the value of anticipated synergies and the value of the employees, which are not reported separately.

**Other acquisitions in 2016**

In April 2016 all the shares in Lichtspiel Lichtprojekte und Design GmbH in Germany were acquired via a subsidiary. Lichtspiel provides sales of lighting systems and lighting plans for the retail sector, primarily in the German market but also in the rest of Central Europe. The company is a sales company with expertise in light planning and design. The acquisition is a stage in the intensification of our marketing activities and reinforces ITAB's position in the German and Central European markets. Through the acquisition, ITAB can offer customers in Germany and Central Europe a combination of local lighting expertise with global sourcing of lighting products.

At time of acquisition, Lichtspiel's annual turnover was SEK 36 million and the average number of employees was 15. The purchase price was SEK 22 million cash with a supplementary purchase price of max. SEK 3 million (EUR 0.3 million). Final liquidity was settled during December 2016 and expenses in conjunction with the acquisition have been recognised continually as costs. The acquisition has a marginal positive effect on earnings per share. The acquisition was incorporated as of 1 April 2016. During the autumn, the company has merged with ITAB's German operation and synergies have been utilised.

In May 2016, all the shares in MB Shop Design AB in Hillerstorp, Sweden, were acquired. The MB Shop Design group comprises three wholly-owned and one part-owned company (91%). MB shop Design conducts production in metal and wood, stockholding and sales of concept interiors for the retail sector in the Swedish and Danish markets. Through this acquisition, ITAB is strengthening its expertise and market position within concept sales in the Scandinavian market. The acquisition is in line with the Group's continued focus on sales of all-inclusive concepts to the retail sector. MB Shop Design had a turnover of SEK 140 million in 2015 and has 75 employees. The acquisition is estimated to have a positive annual effect of SEK 0.15 on earnings per share. The purchase price was SEK 106 million, of which 105 was settled during 2016. Final liquidity will be settled in January 2017 and expenses in conjunction with the acquisition have been recognised continually as costs. The acquisition was incorporated as of 1 May 2016.

In May 2016, 97.1% of the shares in Pikval Group Oy in Finland with subsidiaries in Finland, Sweden and Norway were also acquired. Pikval Group conducts production in metal and wood, stockholding and sales as well as project management of concept interiors for the retail sector, primarily in the Finnish but also in the Scandinavian markets. Through this acquisition, ITAB is strengthening its expertise within concept sales above all in the Finnish market. The acquisition is in line with the Group's continued focus on sales of all-inclusive concepts to the retail sector. Pikval Group had a turnover of SEK 160 million in 2015 and has around 100 employees. The acquisition is estimated to have a positive annual effect of SEK 0.1 on earnings per share. During autumn 2016, the Pikval Group has been integrated with ITAB's existing Finnish company, during which synergy effects have been achieved. Restructuring costs have been incurred continually during 2016. The purchase sum was equivalent to 60 MSEK on a debt free basis. The direct cash flow effect from the acquisition amounted to SEK 27 million during the period. Expenses in conjunction with the acquisition are continually recognised as costs. The acquisition was incorporated as of 1 May 2016.

The three acquisitions are not significant on their own, which is why they are reported jointly overleaf. Acquired net assets at their estimated fair value at the time of acquisition amounted to SEK 157 million, of which SEK 59 million was goodwill. Goodwill primarily comprises synergy effects in production, logistics and personnel.

**ACQUISITIONS IN 2015**

At the start of 2015, all the shares in JPD in Latvia were acquired. JPD focuses principally on concept sales to the non-food segment in the European market, and comprises three companies whose operations are sales, warehousing and wood-based production. The acquisition has been integrated with ITAB's existing operation in Latvia and is in line with the Group's continued focus on concept and lighting sales, and further strengthens ITAB's customer offer in the European market. JPD's net sales was SEK 105 million in 2014 and the average number of employees at the time of the acquisition was 97. The purchase sum was 60 MSEK cash, with an additional purchase sum based on the company's profits over the next two years. Final liquidity will be regulated in 2017. The acquisitions were incorporated as of 1 January 2015. The three JPD companies are not significant on their own, which is why they are reported jointly in the summary overleaf.

**DIVESTMENTS IN 2016 AND 2015**

No companies have been divested or wound up during 2016 and 2015. ▶

**EFFECT OF ACQUISITIONS IN 2016**

Estimated fair value of assets and liabilities acquired in 2016, purchase sums and the impact on the Group's liquid assets are presented below. Expenses in conjunction with acquisitions have been recognised continually as costs.

| Acquisition of La Fortezza Group [1] | Fair value |
|---|---|
| Intangible assets | 31 |
| Property, plant and equipment | 137 |
| Deferred tax assets | 53 |
| Inventory | 106 |
| Accounts receivables | 344 |
| Other current assets | 136 |
| Provisions | -56 |
| Non-current liabilities | -103 |
| Current liabilities | -540 |
| **Net identifiable assets and liabilities** | **108** |
| Non-controlling interests | -22 |
| Group goodwill [2] | 754 |
| **Purchase sum incl. estimated conditional purchase sum** | **840** |
| Non-settled purchase price | -193 |
| Estimated additional purchase sum | -18 |
| Cash and cash equivalents in the acquired companies | -64 |
| **Impact for the year on the Group's cash and cash equivalents** | **565** |

| Other acquisitions in 2016[1] | Fair value |
|---|---|
| Intangible assets | 4 |
| Property, plant and equipment | 82 |
| Deferred tax assets | 4 |
| Inventory | 60 |
| Accounts receivables | 72 |
| Other current assets | 7 |
| Provisions | -10 |
| Non-current liabilities | -47 |
| Current liabilities | -72 |
| **Net identifiable assets and liabilities** | **100** |
| Non-controlling interests | -2 |
| Group goodwill [2] | 59 |
| **Purchase price** | **157** |
| Non-settled purchase price | -1 |
| Estimated additional purchase price [3] | -3 |
| Cash and cash equivalents in the acquired companies | 0 |
| **Impact for the year on the Group's cash and cash equivalents** | **153** |
| **Impact for the year on the Group's cash and cash equivalents from the year's acquisitions** | **718** |
| Additional purchase sum from previous years' acquisitions. | 19 |
| **Impact for the year on the Group's cash and cash equivalents** | **737** |

**EFFECT OF ACQUISITIONS IN 2015**

Estimated fair value of assets and liabilities acquired in 2015, purchase sums and the impact on the Group's liquid assets are presented below. Expenses in conjunction with acquisitions have been recognised continually as costs.

| ACQUISITION OF JPD IN 2015 [1] | Fair value |
|---|---|
| Non-current assets | 4 |
| Inventory | 9 |
| Accounts receivables | 14 |
| Other current assets | 9 |
| Non-current liabilities | -1 |
| Current liabilities | -17 |
| **Net identifiable assets and liabilities** | **18** |
| Group goodwill [2] | 82 |
| **Purchase price incl. estimated conditional purchase price** | **100** |
| Estimated additional purchase price [3] | -40 |
| Cash and cash equivalents in the acquired companies | -7 |
| **Impact for the year on the Group's cash and cash equivalents** | **53** |
| **Impact for the year on the Group's cash and cash equivalents from the year's acquisitions** | **53** |
| Final settlement of purchase sum regarding acquisitions from 2014, as well as additional purchase sum from previous years' acquisitions. | 3 |
| **Impact for the year on the Group's cash and cash equivalents** | **56** |

*1) Exchange rate in relation to SEK at each acquisition where translation to SEK takes place:*
*2016: Pikval Group: EUR 9.3487, La Fortezza Group : EUR 9.632*
*2015 JPD: EUR 9.4087*

*2) Goodwill*
*Goodwill comprises primarily synergy effects in product supply, logistics, staff, know-how and effective organisation.*

*3) Conditional purchase sum*
*The agreed conditional additional purchase sum in La Fortezza SpA is attributable to the La Fortezza companies' profits, and is valued according to the forecast EBITDA for 2017. Final liquidity will be settled during 2018 and is maximised at EUR 20 million.*
*The agreed conditional additional purchase sum in ITAB Pikval AB, which is included in the Pikval group, is attributable to the company's profits in 2016. Final liquidity will be regulated in 2017.*
*The agreed conditional additional purchase sum in JPD is attributable to the companies' profits in 2015 and 2016. Final liquidity will be regulated in 2017.*
*From acquisitions in 2013, there was an agreed conditional additional purchase sum in ITAB Prolight AS that is attributable to the company's earnings trend. This was finally settled during 2016.*

## NOTE 6. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

The ITAB Group comprises of some sixty operating companies that sell, develop, produce and distribute shop fittings and equipment to chain-based customers. The largest customer accounts for 15% 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 various shop concept segments are 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 various companies are taken centrally.

As ITAB sells customised shop concepts and often sets a price for a combined product and service, ITAB performs no division between product groups, because the necessary information regarding sales per product or product group is not available. These circumstances mean that the 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 20-37.

**EXTERNAL NET SALES** [1)]

| The Group | 2016 | 2015 |
|---|---|---|
| UK | 1,167 | 1,310 |
| Sweden | 696 | 683 |
| Norway | 618 | 676 |
| Germany | 289 | 315 |
| Denmark | 264 | 274 |
| North America | 252 | 264 |
| Finland | 234 | 134 |
| Italy | 219 | 84 |
| France | 155 | 120 |
| The Netherlands | 154 | 121 |
| China | 149 | 185 |
| Poland | 121 | 80 |
| Russia | 101 | 87 |
| Belgium | 96 | 95 |
| Spain | 95 | 94 |
| Other | 807 | 671 |
| | **5,417** | **5,193** |

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

**PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

| The Group | 2016 | 2015 |
|---|---|---|
| Sweden | 264 | 186 |
| Czech Republic | 107 | 118 |
| Norway | 94 | 74 |
| Russia | 74 | 0 |
| China | 72 | 33 |
| Lithuania | 69 | 30 |
| UK | 63 | 74 |
| Italy | 83 | - |
| Germany | 51 | 43 |
| Finland | 52 | 43 |
| Other | 97 | 80 |
| Goodwill | 1,436 | 623 |
| | **2,462** | **1,304** |

# 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 | 2016 | 2015 |
|---|---|---|
| Sales of services to subsidiaries | 47 | 40 |
| Purchase of services from subsidiaries | -3 | -2 |

# NOTE 8. PERSONNEL AND SENIOR EXECUTIVES

| Average number of employees | | 2016 | of which men | of which women | 2015 | of which men | of which women |
|---|---|---|---|---|---|---|---|
| Parent Company | Sweden | 14 | 57% | 43% | 13 | 62% | 38% |
| Subsidiaries | Argentina | 23 | 89% | 11% | - | - | - |
| | Belgium | 83 | 89% | 11% | 78 | 88% | 12% |
| | Brazil | 1 | 100% | 0% | 1 | 100% | 0% |
| | Chile | 1 | 100% | 0% | 1 | 100% | 0% |
| | Denmark | 62 | 77% | 23% | 61 | 80% | 20% |
| | Estonia | 3 | 100% | 0% | 3 | 100% | 0% |
| | Finland | 136 | 90% | 10% | 68 | 75% | 25% |
| | France | 34 | 74% | 26% | - | - | - |
| | United Arab Emirates | 3 | 100% | 0% | - | - | - |
| | The Netherlands | 100 | 89% | 11% | 95 | 92% | 8% |
| | India | 3 | 67% | 33% | 1 | 100% | 0% |
| | Italy | 47 | 76% | 24% | - | - | - |
| | China | 794 | 35% | 65% | 857 | 35% | 65% |
| | Latvia | 164 | 86% | 14% | 153 | 84% | 16% |
| | Lithuania | 133 | 86% | 14% | 126 | 87% | 13% |
| | Malaysia | 3 | 100% | 0% | - | - | - |
| | Norway | 166 | 73% | 27% | 169 | 73% | 27% |
| | Poland | 10 | 70% | 30% | 11 | 73% | 27% |
| | Portugal | 1 | 100% | 0% | - | - | - |
| | Russia | 32 | 63% | 38% | 9 | 44% | 56% |
| | Spain | 2 | 100% | 0% | - | - | - |
| | UK | 323 | 81% | 19% | 307 | 81% | 19% |
| | Sweden | 429 | 71% | 29% | 398 | 74% | 26% |
| | Czech Republic | 331 | 73% | 27% | 304 | 72% | 28% |
| | Germany | 188 | 81% | 19% | 163 | 83% | 17% |
| | Ukraine | 1 | 0% | 100% | 1 | 0% | 100% |
| | Hungary | 1 | 0% | 100% | 2 | 50% | 50% |
| | USA | 9 | 33% | 67% | 8 | 25% | 75% |
| **TOTAL IN SUBSIDIARIES** | | **3,083** | **69%** | **31%** | **2,816** | **65%** | **35%** |
| **THE GROUP TOTAL** | | **3,097** | **69%** | **31%** | **2,829** | **65%** | **35%** |

| Salaries, other remuneration and social security expenses (SEK millions) | 2016 Salaries and remuneration | 2016 Social security expenses | 2015 Salaries and remuneration | 2015 Social security expenses |
|---|---|---|---|---|
| Parent Company | 21.1 | 13.8 | 20.6 | 11.3 |
| *(of which pension costs)[1)]* | | *5.5* | | *4.1* |
| Subsidiaries | 915.1 | 220.0 | 783.1 | 188.3 |
| *(of which pension costs)* | | *55.5* | | *46.4* |
| **GROUP TOTAL** | **936.2** | **233.8** | **803.7** | **199.6** |
| *(of which pension costs)[2)]* | | *61.0* | | *50.5* |

*1) Of the parent company's pension costs, SEK 1.5 million (0.9) 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 6.6 million (6.2) pertains to the Board and CEO. The Group's outstanding pension commitments to these persons amount to SEK 0 million (0.3).*

| Salaries and other remuneration by country and between board members/CEO and other employees | 2016 Board of Directors and CEO | 2016 Other employees | 2015 Board of Directors and CEO | 2015 Other employees |
|---|---|---|---|---|
| **PARENT COMPANY SWEDEN** | **6.5** | **14.6** | **6.2** | **14.4** |
| *(of which bonuses)* | *0.7* | | *1.2* | |
| **SUBSIDIARIES IN SWEDEN** | **11.3** | **160.0** | **9.6** | **150.6** |
| **SUBSIDIARIES, OTHERS** | | | | |
| Argentina | 0.6 | 8.7 | - | - |
| Belgium | - | 29.8 | 1.8 | 28.8 |
| Brazil | 0.9 | - | 0.8 | - |
| Chile | 0.4 | - | 0.4 | - |
| Denmark | 2.2 | 39.6 | 4.4 | 33.9 |
| Estonia | - | 0.8 | - | 0.5 |
| Finland | 3.1 | 53.5 | 2.5 | 23.9 |
| France | 1.3 | 15.0 | - | - |
| United Arab Emirates | - | 0.7 | - | - |
| The Netherlands | 1.3 | 42.4 | 5.2 | 39.0 |
| India | 0.5 | 0.1 | 0.5 | - |
| Italy | 4.1 | 29.8 | - | - |
| China | 0.5 | 55.1 | 0.5 | 68.4 |
| Latvia | 2.0 | 23.7 | 2.2 | 21.7 |
| Lithuania | 0.7 | 17.5 | 0.6 | 15.6 |
| Malaysia | 0.1 | 0.5 | - | - |
| Norway | 6.9 | 128.2 | 7.5 | 116.8 |
| Poland | 0.7 | 3.1 | 0.8 | 3.3 |
| Portugal | - | 0.5 | - | - |
| Russia | 1.3 | 2.9 | 0.7 | 1.7 |
| Spain | 0.2 | 0.8 | - | - |
| UK | 4.5 | 138.7 | 4.7 | 137.6 |
| Czech Republic | 1.2 | 36.2 | 1.2 | 30.4 |
| Germany | 5.7 | 72.2 | 4.1 | 58.8 |
| Hungary | - | 0.4 | - | 0.5 |
| Ukraine | - | - | - | - |
| USA | 1.1 | 4.3 | - | 4.1 |
| **SUBSIDIARIES TOTAL** | **50.6** | **864.5** | **47.5** | **735.6** |
| *(of which bonuses)* | *6.4* | | *3.7* | |
| **GROUP TOTAL** | **57.1** | **879.1** | **53.7** | **750.0** |
| *(of which bonuses)* | *7.1* | | *4.9* | |

## REMUNERATION TO SENIOR EXECUTIVES

### THE BOARD'S FEES

In accordance with the resolution at the 2016 AGM, the fee for elected Board members amounts to a total of SEK 1.2 million, to be divided with SEK 300 thousand to the Chairman of the Board and SEK 150 thousand to each of the other six Board members. Board member Sune Lantz carried out consultancy assignments for the company worth SEK 0.5 million. 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 four months' salary. Pension is covered by a premium-based pension system with a retirement age of 65. According to the contract, the pension premium for the senior executives amounts to 30 per cent of the pension-qualifying salary.

Remuneration is reviewed annually by the Board's Remuneration Committee. The Remuneration Committee consists of Fredrik Rapp, Anders Moberg, Lottie Svedenstedt 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 of 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.

| Remuneration to senior executives 2016 | Basic salary | Variable salary | Other remuneration 1) | Total salary and fees 2) | Pension costs | Total incl. pension |
|---|---|---|---|---|---|---|
| CEO | 4.3 | 0.7 | 0.2 | 5.2 | 1.6 | 6.8 |
| Other senior executives in Group management (2 executives) | 4.6 | 0.8 | 0.2 | 5.6 | 1.6 | 7.2 |
| **TOTAL** | **8.9** | **1.5** | **0.4** | **10.8** | **3.2** | **14.0** |
| **2015** | | | | | | |
| CEO | 3.7 | 1.2 | 0.1 | 5.0 | 0.9 | 5.9 |
| Other senior executives in Group management (2 executives) | 4.0 | 1.3 | 0.3 | 5.6 | 1.3 | 6.9 |
| **TOTAL** | **7.7** | **2.5** | **0.4** | **10.6** | **2.2** | **12.8** |

*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 | 2016 Of which women | 2016 Of which men | 2015 Of which women | 2015 Of which men |
|---|---|---|---|---|
| Board members | 10% | 90% | 10% | 90% |
| Senior executives | 15% | 85% | 16% | 84% |
| **Parent Company** | | | | |
| Board members | 29% | 71% | 33% | 67% |
| Senior executives | 0% | 100% | 0% | 100% |

**Personnel expenses distributed per function**

| The Group | 2016 | 2015 |
|---|---|---|
| Cost of goods sold | -674 | -559 |
| Selling expenses | -429 | -366 |
| Administrating expenses | -126 | -115 |
| | **-1,229** | **-1,040** |
| **Parent Company** | | |
| Cost of goods sold | -6 | -6 |
| Selling expenses | -12 | -11 |
| Administrating expenses | -15 | -13 |
| | **-33** | **-30** |

## 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. Audit activities other than audits refers to other quality assurance services that are performed in accordance with applicable regulatory requirements. Tax advice includes both advice and checking of compliance within the tax field. Other services are other assignments. The audit was mainly performed by Ernst & Young AB (EY).

| | THE GROUP | | THE GROUP | | PARENT COMPANY | |
|---|---|---|---|---|---|---|
| | 2016 | 2016 | 2015 | 2015 | 2016 | 2015 |
| | Fees to EY | Fee to other auditors | Fees to EY | Fee to other auditors | Fees to EY | Fees to EY |
| Audit assignments | 5 | 1 | 4 | 1 | 1 | 1 |
| Audit activities other than audits | 0 | 1 | 0 | 0 | 0 | 0 |
| Tax consultancy | 2 | 1 | 1 | 1 | 0 | 0 |
| Other services | 0 | 1 | 1 | 1 | 0 | 0 |
| | **7** | **4** | **6** | **3** | **1** | **1** |

## NOTE 10. DEPRECIATION AND AMORTISATION

**Depreciation divided per function**

| The Group | 2016 | 2015 |
|---|---|---|
| Cost of goods sold | -91 | -70 |
| Selling expenses | -12 | -10 |
| Administrating expenses | -8 | -8 |
| | **-111** | **-88** |
| **Parent Company** | | |
| Administrating expenses | -1 | 0 |

**Depreciation divided per asset type**

| The Group | 2016 | 2015 |
|---|---|---|
| Balanced development expenditure | -14 | -5 |
| Patents and other intellectual property rights | -3 | -2 |
| Buildings | -14 | -12 |
| Plant and machinery | -54 | -43 |
| Equipment, tools and installations | -26 | -26 |
| | **-111** | **-88** |
| **Parent Company** | | |
| Equipment | -1 | 0 |

## NOTE 11. COSTS DIVIDED BY COST TYPE

Cost of goods sold, sales expenses and administrating expenses divided by cost type:

| The Group | 2016 | 2015 |
|---|---|---|
| Costs for direct materials | -2,407 | -2,537 |
| Personnel costs | -1,229 | -1,040 |
| Depreciation and amortisation | -111 | -88 |
| Other expenses | -1,292 | -1,042 |
| | **-5,039** | **-4,707** |

| Parent Company | | |
|---|---|---|
| Personnel costs | -33 | -30 |
| Depreciation and amortisation | -1 | 0 |
| Other expenses | -29 | -26 |
| | **-63** | **-56** |

## NOTE 12. OTHER OPERATING INCOME AND EXPENSES

**Other operating income**

| The Group | 2016 | 2015 |
|---|---|---|
| Operation's exchange rate differences | 24 | 39 |
| Capital gain on sale of non-current assets | 2 | 1 |
| Other | 7 | 3 |
| | **33** | **43** |

| Parent Company | | |
|---|---|---|
| Operation's exchange rate differences | 16 | 36 |
| | **16** | **36** |

**Other operating expenses**

| The Group | 2016 | 2015 |
|---|---|---|
| Operation's exchange rate differences | -30 | -18 |
| Capital loss on sale of non-current assets | -6 | -1 |
| Other | -4 | -2 |
| | **-40** | **-21** |

| Parent Company | | |
|---|---|---|
| Operation's exchange rate differences | -19 | -22 |
| | **-19** | **-22** |

## NOTE 13. RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2016 | 2015 |
|---|---|---|
| **Income from participations in Group companies** | | |
| Dividends received | 355 | 154 |
| Result from participations in subsidiaries | 6 | - |
| | **361** | **154** |
| **Expenses from participations in Group companies** | | |
| Impairment of long-term claims in Group companies [1] | - | -18 |
| Impairment of shares in subsidiaries [2] | -49 | -1 |
| | **-49** | **-19** |

*1) Impairment of claims for loss coverage in Group companies in 2015 refers to ITAB Shop Concept Ukraine LCC, SEK -1 million, ZAO ITAB Shop Concept Russia, SEK -7 million and Radlok S.à.r.l in Luxembourg, SEK -10 million.*

*2) Impairment of shares in subsidiaries in 2016 refers to ITAB Shop Concept Belgium, SEK -27 million, GWS Group UK Ltd, SEK -20 million and ITAB Pharmacy AB, SEK -2 million. For 2015, the impairment refers to ITAB Shop Concept Hungary, SEK 1 million*

## NOTE 14. FINANCIAL INCOME & EXPENSES

**Financial income**

| The Group | 2016 | 2015 |
|---|---|---|
| Interest income | 3 | 3 |
| Profit from additional purchase sum, Group companies | 6 | 0 |
| Exchange rate differences | 16 | - |
| Other financial income | 3 | - |
| | **28** | **3** |

| Parent Company | | |
|---|---|---|
| Interest income, Group companies | 7 | 8 |
| | **7** | **8** |

**Financial expenses**

| The Group | 2016 | 2015 |
|---|---|---|
| Interest expenses [1] | -36 | -29 |
| Exchange rate differences | 0 | -4 |
| Other financial expenses | -2 | -2 |
| | **-38** | **-35** |

*1) This includes interest expenses from interest rate swaps for the year, amounting to SEK -10 million (-11)*

| Parent Company | | |
|---|---|---|
| Interest expenses, Group companies | 0 | -1 |
| Interest expenses, others | -28 | -23 |
| Exchange rate differences | -19 | -15 |
| | **-47** | **-39** |

## NOTE 15. YEAR-END APPROPRIATIONS

| Parent Company | 2016 | 2015 |
|---|---|---|
| Received Group contributions | 85 | 51 |
| Group contributions paid | -23 | -36 |
| | **62** | **15** |

## NOTE 16. TAX

| The Group | 2016 | 2015 |
|---|---|---|
| *Current tax expenses* | | |
| Tax expenses for the period | -105 | -111 |
| Adjustment of tax attributable to previous years | 2 | 13 |
| | **-103** | **-98** |
| *Deferred tax expenses (-)/tax income (+)* | | |
| Deferred tax attributable to temporary differences | 0 | -2 |
| Deferred tax attributable to previous years | 0 | -4 |
| Deferred tax attributable to losses carried forward | 2 | 2 |
| Deferred tax as a result of changes in tax rates | 0 | 0 |
| | **2** | **-4** |
| **TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT** | **-101** | **-102** |

| Parent Company | | |
|---|---|---|
| Current tax for the period | -1 | 0 |
| Deferred tax attributable to losses carried forward | -1 | 4 |
| **TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT** | **-2** | **4** |

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

| The Group | 2016 | 2016 | 2015 | 2015 |
|---|---|---|---|---|
| **Reported income before tax** | **361** | | **476** | |
| Tax at Swedish income tax rate | -79 | -22.0% | -105 | -22.0% |
| *Tax effect of* | | | | |
| Adjustment of previous year's tax | 3 | 0.8% | 9 | 1.9% |
| Other tax rates for foreign subsidiaries | 6 | 1.7% | -2 | -0.4% |
| Deductible temporary differences | -7 | -1.9% | 0 | 0.0% |
| Losses carried forward | 2 | 0.6% | 4 | 0.8% |
| Altered tax rates | 0 | 0.0% | 0 | 0.0% |
| Non-taxable income and non-deductible expenses | -26 | -7.3% | -8 | -1.8% |
| **RECOGNISED TAX EXPENSE** | **-101** | **-28.1%** | **-102** | **-21.5%** |

| Tax items recognised in other comprehensive income | 2016 | 2015 |
|---|---|---|
| Deferred tax on cash flow hedges | -1 | 0 |
| Deferred tax on hedging of net investments | 0 | -1 |
| Deferred tax on pension obligations | 1 | 0 |
| | **0** | **-1** |

| Changes in deferred tax<br>The Group | 2016 | 2015 |
|---|---|---|
| At the start of the year | -5 | -2 |
| Acquisitions | 27 | 0 |
| Items recognised in other comprehensive income | 1 | 0 |
| Translation differences | -2 | 1 |
| Recognised in profit for the year | 2 | -4 |
| **AT THE CLOSE OF THE YEAR** | **23** | **-5** |

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

| The Group | Receivables 2016 | Receivables 2015 | Liabilities 2016 | Liabilities 2015 |
|---|---|---|---|---|
| Non-current assets | 10 | 1 | 49 | 25 |
| Inventory | 10 | 9 | 1 | 3 |
| Current receivables | 4 | 0 | - | - |
| Provisions for pensions and similar obligations | 4 | 1 | 3 | - |
| Losses carried forward[1)] | 64 | 34 | - | - |
| Untaxed reserves | - | - | 24 | 21 |
| Other | 9 | 2 | 1 | 3 |
| | **101** | **47** | **78** | **52** |

*1) Of the deferred tax assets for losses carried forward recognised in the balance sheet, there is a deficit deduction of SEK 42 million, the utilisation of which is subject to time restrictions. Of this, SEK 6 million matures in 2021, SEK 2 million matures in 2024 and SEK 34 million matures in 2025. The Group has losses carried forward equivalent to nominell SEK 152 million, which is not recognised as a deferred tax asset. This is partially an effect of current value calculation, partially the fact that certain losses carried forward are not deemed able to be utilised within the next 5 years. For a small proportion of these losses carried forward, there are restrictions as regards utilisation per year, but no time limits.*

| Parent Company | 2016 Receivables | 2015 Receivables |
|---|---|---|
| Losses carried forward | 16 | 17 |
| | 16 | **17** |

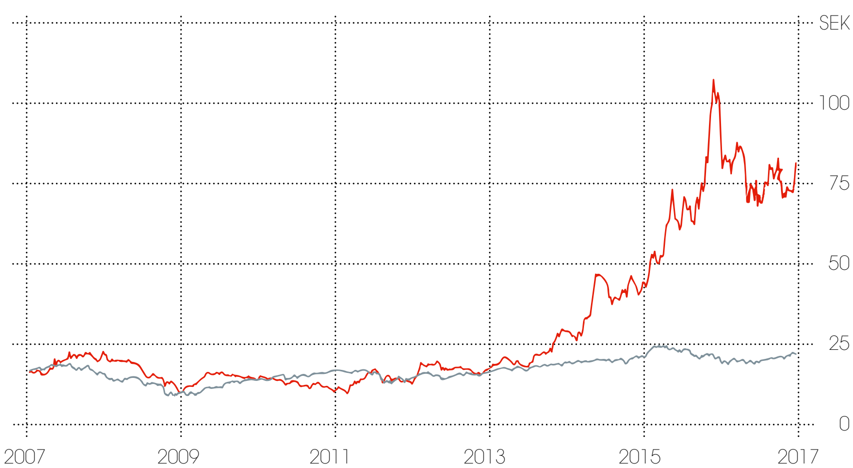
# NOTE 17. EARNINGS PER SHARE

| The Group | 2016 | 2015 |
|---|---|---|
| *Earnings per share before dilution* | | |
| Net Profit for the period that is attributable to the Parent Company's shareholders, SEK millions | 241.2 | 350.0 |
| Average number of outstanding ordinary shares | 102,076,876 | 101,719,230 |
| **EARNINGS PER SHARE BEFORE DILUTION, SEK PER SHARE** | **2.36** | **3.44** |
| *Earnings per share after dilution* | | |
| Net Profit for the period that is attributable to the Parent Company's shareholders, SEK millions | 241 | 350 |
| Net interest expenses on convertible debentures, SEK millions | 3.8 | 1.6 |
| **Adjusted profit, SEK millions** | **244.9** | **351.5** |
| Number of outstanding shares as per the closing day | 102,383,430 | 101,719,230 |
| Adjustment for assumed conversion of convertible debentures | 2,552,004 | 2,553,222 |
| **Number of shares after dilution** | **104,935,434** | **104,272,452** |
| **EARNINGS PER SHARE AFTER DILUTION, SEK PER SHARE** | **2.33** | **3.37** |
| **ACTUAL NUMBER OF SHARES AT YEAR-END** | | |
| before dilution, shares | 102,383,430 | 101,719,230 |
| after dilution, shares | 104,935,434 | 104,272,452 |

*At the AGM on 11 May 2016, a decision was adopted to split the company's shares 3:1, which means that each current share is divided into three shares of the same type. The record date for the share split was 27 May 2016. The number of shares before the split amounted to 33,906,410, while after the split the number of shares amounted to 101,719,230. All comparative figures have been updated with the split. The number of shares has subsequently increased by 664,200 shares to a total of 102,383,430 as of 31 December 2016. This increase is a result of the completion and registration with the Swedish Companies Registration Office of a conversion of ITAB convertible loan KV3B 2012/2016. During the period, the company has repurchased 1,287,018 convertible bonds of KV3B.*

*The Group has two outstanding convertible debenture schemes. In the first scheme, which runs during the period 1 July 2014 to 30 June 2018, conversion to a maximum of 602,004 Class B shares can take place during the period 1 to 11 June 2018 at a subscription price of SEK 49.83. In the second scheme, a subscription for convertible shares for employees was carried out during June 2016. The scheme runs during the period 1 July 2016 to 30 June 2020 and conversion to a maximum of 1,950,000 Class B shares can take place during the period 1 to 12 June 2020 at a subscription price of SEK 86.00. The total number of shares after full dilution will then be 104,935,434.*

▼ **SHARE PERFORMANCE OVER 10 YEARS**




▶ **MORE THAN 10 YEARS ON THE STOCK EXCHANGE AS ITAB SHOP CONCEPT AB.** On 28 May 2004, ITAB Shop Concept AB was listed on First North after having been spun-off from ITAB Industri AB, and the average price on the first day was approximately SEK 5.

ITAB Shop Concept is listed on Nasdaq Stockholm.

■ ITAB Shop Concept B

■ OMX Stockholm PI

## NOTE 18. INTANGIBLE ASSETS

| 2016<br>Group | Balanced development expenses | Patents and other intellectual property rights | Goodwill | TOTAL |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 140 | 23 | 623 | 786 |
| Acquisition of subsidiaries, see Note 5 | - | 35 | 813 | 848 |
| Additions | 10 | 1 | - | 11 |
| Translation differences for the year | - | 1 | 0 | 1 |
| | **150** | **60** | **1,436** | **1,646** |
| *Accumulated depreciation according to plan* | | | | |
| At the start of the year | -20 | -11 | - | -31 |
| Depreciation according to plan for the year | -14 | -3 | - | -17 |
| Translation differences for the year | - | -1 | - | -1 |
| | **-34** | **-15** | **-** | **-49** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **116** | **45** | **1,436** | **1,597** |

| 2015<br>Group | | | | |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 127 | 23 | 552 | 702 |
| Acquisition of subsidiaries, see Note 5 | - | - | 82 | 82 |
| Additions | 13 | 1 | - | 14 |
| Translation differences for the year | - | -1 | -11 | -12 |
| | **140** | **23** | **623** | **786** |
| *Accumulated depreciation according to plan* | | | | |
| At the start of the year | -15 | -10 | - | -25 |
| Depreciation according to plan for the year | -5 | -2 | - | -7 |
| Translation differences for the year | - | 1 | - | 1 |
| | **-20** | **-11** | **-** | **-31** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **120** | **12** | **623** | **755** |

Balanced expenditure for development work primarily comprises internally generated, capitalised costs for the development of checkouts. Other intellectual property rights primarily consist of valued customer relations acquired during the year as well as patents. The depreciation 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 reassessed every year. No impairment or reversal of impairment has taken place.

The Group's goodwill comprises primarily synergy effects in production, logistics, staff, know-how and effective organisation.

**Impairment testing for goodwill**

The Group assesses goodwill for impairment 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 a cautious starting point in the forecasts prepared by the management for the coming four years. The forecasts are based on experience from previous years, but with consideration for future expected developments. Average growth in the organisation is anticipated 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. The margins in the business are an estimate that also has an impact on testing. The EBITDA margin is an important assumption on which the company management bases its assessment. When assessing impairment in 2016, a figure of 9.5% is used for 2018-2019 and 9.0% for 2020 and onwards. Average interest rates have been assumed at the same levels as the outcome for 2016. The forecast cash flows have been converted to present value using a discount rate of 9.45% (10.14%) before tax, which corresponds to 7.5% (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 the yield on ten-year government bonds is used, with an addition for the equity market's average risk premium. 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 2016 has been reduced slightly, which produces a lower outcome from the discount rate before tax compared to 2015.

The recoverable value exceeds the recognised value, 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 if EBITDA is lowered by three percentage points, there is still no indication of an impairment need.

# NOTE 19. PROPERTY, PLANT AND EQUIPMENT

| 2016 Group | Buildings | Machinery | Equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| *Accumulated acquisition values* | | | | | |
| At the start of the year | 488 | 706 | 363 | 15 | 1,572 |
| Acquisitions, subsidiaries | 119 | 85 | 14 | 1 | 219 |
| Additions | 8 | 60 | 34 | 79 | 181 |
| Sales and disposals | -13 | -17 | -13 | -1 | -44 |
| Reclassifications | 35 | 0 | 5 | -40 | 0 |
| Translation differences for the year | 24 | 25 | 8 | 1 | 58 |
| | **661** | **859** | **411** | **55** | **1,986** |
| *Accumulated depreciation according to plan* | | | | | |
| At the start of the year | -214 | -524 | -285 | - | -1,023 |
| Sales and disposals | 6 | 16 | 11 | - | 33 |
| Reclassifications | 0 | 0 | - | - | 0 |
| Depreciation according to plan for the year | -14 | -54 | -26 | - | -94 |
| Translation differences for the year | -12 | -19 | -6 | - | -37 |
| | **-234** | **-581** | **-306** | **-** | **-1,121** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **427** | **278** | **105** | **55** | **865** |

| 2015 Group | | | | | |
|---|---|---|---|---|---|
| *Accumulated acquisition values* | | | | | |
| At the start of the year | 493 | 714 | 351 | 2 | 1,560 |
| Acquisitions, subsidiaries | - | 2 | 2 | - | 4 |
| Additions | 18 | 35 | 42 | 14 | 109 |
| Sales and disposals | -6 | -22 | -31 | - | -59 |
| Reclassifications | - | -6 | 6 | - | 0 |
| Translation differences for the year | -17 | -17 | -7 | -1 | -42 |
| | **488** | **706** | **363** | **15** | **1,572** |
| *Accumulated depreciation according to plan* | | | | | |
| At the start of the year | -215 | -517 | -282 | - | -1,014 |
| Sales and disposals | 4 | 18 | 24 | - | 46 |
| Reclassifications | - | 6 | -6 | - | 0 |
| Depreciation according to plan for the year | -12 | -43 | -26 | - | -81 |
| Translation differences for the year | 9 | 12 | 5 | - | 26 |
| | **-214** | **-524** | **-285** | | **-1,023** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **274** | **182** | **78** | **15** | **549** |

| Parent Company | 2016 Equipment | 2016 New construction in progress | 2015 Equipment | 2015 New construction in progress |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 5 | 5 | 7 | - |
| Additions | 2 | - | 1 | 5 |
| Sales and disposals | -1 | - | -3 | - |
| Reclassifications | 5 | -5 | - | - |
| | **11** | **0** | **5** | **5** |
| *Accumulated depreciation according to plan* | | | | |
| At the start of the year | -4 | - | -6 | - |
| Depreciation according to plan for the year | -1 | - | -1 | - |
| Sales and disposals | 1 | - | 3 | - |
| | **-4** | **-** | **-4** | **-** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **7** | **-** | **1** | **5** |

# NOTE 20. PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2016 | 2015 |
|---|---|---|
| Opening recognised value | 1,267 | 1,164 |
| Business combinations | 983 | 101 |
| Company start-ups | 4 | - |
| Shareholder contribution to subsidiaries [1)] | 6 | 3 |
| The year's impairment [2)] | -49 | -1 |
| **CLOSING RECOGNISED VALUE** | **2,211** | **1,267** |

*1) Shareholder contribution in 2016 to the subsidiaries ITAB Pharmacy AB, SEK 2 million and ITAB Guidance AB, SEK 4 million, and in 2015 to ITAB Shop Concept Hungary LCC, SEK 1 million, ITAB Shop Concept Polska Sp Zoo, SEK 2 million, ITAB Guidance AB, SEK 0 million, and ITAB Konsult AB, SEK 0 million.*

*2) Impairment has taken place in 2016 in ITAB Shop Concept Belgium N.V., SEK -27 million, GWS Group Ltd, SEK -20 million, and ITAB Pharmacy Concept AB SEK -2 million. In 2015, the shares have been written down in ITAB Shop Concept Hungary LCC by SEK -1 million.*

**PARTICIPATIONS ARE HELD IN THE FOLLOWING GROUP COMPANIES.**

| | Corp. reg. no. | Registered office | Country | Number of shares | Holding | 2016 Bookvalue | 2015 Bookvalue |
|---|---|---|---|---|---|---|---|
| ITAB Shop Concept Lithuania AB | 233393310 | Kaunas | Lithuania | 635,350 | 100% | 20 | 20 |
| ITAB Baltic SIA | 50003567701 | Riga | Latvia | 100 | 100% | 3 | 3 |
| ITAB Eesti OÜ | 10994786 | Tallinn | Estonia | 400 | 100% | 0 | 0 |
| ITAB Germany GmbH | HRB 61998 | Cologne | Germany | 2 | 100% | 17 | 17 |
| ITAB Harr GmbH | HRB 29025 | Malschwitz | Germany | - | 100% | - | - |
| ITAB Prolight Germany GmbH | HRB 80620 | Cologne | Germany | - | 100% | - | - |
| GWS Group Ltd. | 3284213 | Gravesend | England | 3,544,684 | 100% | 1 | 20 |
| ITAB Holding B.V. | 32082085 | Woundenberg | The Netherlands | 180 | 100% | 36 | 36 |
| ITAB Den Bosch B.V | 61775185 | Hertogenbosch | The Netherlands | 180 | 100% | - | - |
| ITAB Konsult AB | 556554-1520 | Jönköping | Sweden | 1,000 | 100% | 0 | 0 |
| ITAB Shop Products Finland OY | 1569393-8 | Villähde | Finland | 1,165 | 100% | 26 | 26 |
| ITAB Pharmacy Concept AB | 556603-8245 | Stockholm | Sweden | 40,000 | 100% | 22 | 22 |
| ITAB Sintek AB | 556313-1456 | Stockholm | Sweden | 35,000 | 100% | - | - |
| Radlok S.à r.l | B 150987 | Luxembourg | Luxembourg | - | 100% | - | - |
| ITAB Scanflow AB | 556270-5367 | Jönköping | Sweden | 10,000 | 100% | 1 | 1 |
| ITAB Shop Concept AS | 960912624 | Oslo | Norway | 1,534,500 | 100% | 55 | 55 |
| ITAB Industier AS | 928907619 | Stadsbygd | Norway | 150 | 100% | - | - |
| ITAB Butikkinnredninger AS | 935500419 | Oslo | Norway | 50 | 100% | - | - |
| ITAB Prolight AS | 911973235 | Oslo | Norway | 1,000 | 100% | - | - |
| KB Design AS | 913275438 | Oslo | Norway | - | 100% | - | - |
| ITAB Lindco AS | 929240227 | Oslo | Norway | - | 100% | - | - |
| ITAB Pharmacy concept AS | 828716352 | Sandefjord | Norway | - | 100% | - | - |
| Reklamepartner Graphics AS | 979895909 | Vinterbro | Norway | 100 | 51% | - | - |
| ITAB Shop Concept Belgium N.V | 0413.792.003 | Antwerp | Belgium | 279,295 | 100% | 56 | 82 |
| ITAB Shop Concept CZ a.s | 255 68,663 | Blansko | Czech Republic | 2,210 | 100% | 277 | 277 |
| ITAB Czech Republic, s.r.o | 283 13,518 | Boskowice | Czech Republic | 0 | 100% | 0 | 0 |
| ITAB Shop Concept A/S | 19353443 | Herning | Denmark | 1 | 100% | 9 | 9 |
| ITAB Shop Concept Finland Oy | 0719064-4 | Järvenpää | Finland | 77,000 | 100% | 18 | 18 |
| ITAB Shop Concept Jönköping AB | 556132-4046 | Jönköping | Sweden | 1,000 | 100% | 9 | 9 |
| ITAB Shop Concept Nässjö AB | 556474-2244 | Nässjö | Sweden | 2,000 | 100% | 11 | 11 |
| ITAB Shop Concept Polska Sp Zoo | 338168 | Warsaw | Poland | 1,250 | 100% | 2 | 2 |
| ITAB Shop Concept Hungary LLC | 24685113-2-43 | Budapest | Hungary | 1 | 100% | 0 | 0 |
| ITAB Ukraine LLC | 37102073 | Kiev | Ukraine | 1 | 100% | 0 | 0 |
| ITAB Guidance AB | 556065-3866 | Jönköping | Sweden | 10,000 | 100% | 9 | 5 |
| ITAB Shop Products A/S | 13769893 | Alleröd | Denmark | 500 | 100% | 22 | 22 |
| ITAB Shop Products Ltd | 5822228 | Hemel Hempstead | England | 2,500,000 | 100% | 35 | 35 |
| ITAB UK Ltd | 4135080 | Hemel Hempstead | England | 4,638,743 | 100% | 119 | 119 |
| ITAB Shop Concept UK Ltd | 3411363 | Hemel Hempstead | England | 1,200,000 | 100% | - | - |
| ITAB Interiors Ltd | 1112808 | Hemel Hempstead | England | | 100% | - | - |
| ITAB Prolight UK Ltd | 2208416 | Hemel Hempstead | England | 350,000 | 100% | - | - |
| Nordic Light Group AB | 556306-5373 | Skellefteå | Sweden | 1,000 | 100% | 377 | 377 |
| Nordic Light AB | 556203-5161 | Skellefteå | Sweden | 130,000 | 100% | - | - |
| ITAB Prolight AB | 556673-8877 | Borås | Sweden | 1,000 | 100% | - | - |
| Skelack AB | 556641-2259 | Skellefteå | Sweden | 6,000 | 100% | - | - |
| Dotlight Sweden AB | 556812-9893 | Skellefteå | Sweden | 1,000 | 100% | - | - |
| Nordic Light Group Development AB | 556511-7800 | Skellefteå | Sweden | 2,000 | 100% | - | - |
| Nordic Light Group (HK) Co Ltd | 759628 | Hong Kong | Hong Kong | 20,000 | 100% | - | - |
| Nordic Light (Suzhou) Investment (HK) Co Ltd. | 875186 | Hong Kong | Hong Kong | - | 65% | - | - |
| Nordic Light (Suzhou) Co Ltd | 320594400008791 | Suzhou | China | - | 65% | - | - |
| ITAB Shop Concept Suzhou Co Ltd | 320594000268519 | Suzhou | China | - | 65% | - | - |
| Nuco Lighting Technology Ltd Co | 440306503426898 | Shenzhen | China | - | 100% | - | - |
| Nordic Light America Inc. | 27-4627942 | Columbus | USA | 1,500 | 100% | - | - |
| Nordic Light South America SpA | 71.936 / 49.962 | Santiago | Chile | 100 | 100% | - | - |
| Nordic Light Brasil Design E Comercio de luminarias LTDA | 13.253.209/0001-09 | Sao Paolo | Brazil | 49,645 | 100% | - | - |
| Nordic Light India Private Ltd | U74900KA2014FTC073090 | Bangalore | India | 10,000 | 100% | - | - |
| ITAB Shop Products France | 817,964,984 | Paris | France | 4,500 | 100% | 4 | - |
| MB Shop Design AB[3)] | 556549-1643 | Hillerstorp | Sweden | 1,981 | 100% | 106 | - |
| Projektfinans i Småland AB | 556758-6630 | Hillerstorp | Sweden | 1,000 | 100% | - | - |
| Pulverlacken i Hillerstorp AB | 556672-7854 | Hillerstorp | Sweden | 1,000 | 91% | - | - |
| Träspecialisten i Anderstorp AB | 556906-6094 | Anderstorp | Sweden | 1,000 | 100% | - | - |
| ITAB Pikval Group Oy[3)] | 2447365-4 | Järvenpää | Finland | 10,494 | 97% | 28 | - |
| ITAB Pikval Oy | 1882702-2 | Jyväskylä | Finland | 28,000 | 97% | - | - |
| ITAB Pikval AB | 556046-4389 | Stockholm | Sweden | 1,000 | 97% | - | - |
| La Fortezza SpA[3)] | FI - 462981 | Scarperia | Italy | 20,900,000 | 100% | 849 | - |
| Competences S.r.L | BO-423431 | Pianoro | Italy | 11,000 | 100% | - | - |
| La Fortezza Contract S.r.L | BO-419359 | Pianoro | Italy | 50,000 | 100% | - | - |
| La Fortezza Alser S.a.S | 43869922500027 | Jouy e Moutier | France | 1,490,000 | 100% | - | - |
| La Fortezza Asia Sdn Bhd | 396959-A | Kuala Lumpur | Malaysia | 600,000 | 90% | - | - |
| La Fortezza Equipamento Iberica S.L. | B85907236 | Barcelona | Spain | 19,000 | 100% | - | - |
| La Fortezza Est Z.a.o. | 1057747369723 | Stupino | Russia | 2,780,000 | 100% | - | - |
| La Fortezza Middle East DMCC | JLT5135 | Dubai | UAE | 1 | 100% | - | - |
| La Fortezza Portugal Unipessoal, LdA | 513102930 | Lisbon | Portugal | 1 | 100% | - | - |
| La Fortezza Sudamericana S.A. | 30-68703602-2 | Buenos Aires | Argentina | 5,645,921 | 85% | - | - |
| SIA ITAB Shop Concept Latvia (former JPD) | 40103175540 | Riga | Latvia | 2,845 | 100% | 49 | 49 |
| SIA ITAB Finance[3)] | 40103466377 | Riga | Latvia | 2,845 | 100% | 2 | 2 |
| SIA ITAB Production Latvia[3)] | 40103296365 | Riga | Latvia | 2,845 | 100% | 50 | 50 |
| AO ITAB Shop Concept Russia | 1057811914808 | St Petersburg | Russia | 100 | 100% | 0 | 0 |
| TOTAL | | | | | | 2,211 | 1,267 |

*In addition to the above companies, the subsidiaries owned shares in dormant companies. In total, the Group comprised 93 legal companies at the end of 2016.*

*3) During 2016, the subsidiaries La Fortezza SpA, MB Shop Design and ITAB Pikval Group Oy have been acquired and ITAB Shop Products France has been started up.*
*The subsidiary ITAB JPD has been acquired in 2015, see Note 5.*

# NOTE 21. FINANCIAL ASSETS AND LIABILITIES

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| **Time analysis of financial assets** | **Due** | **Not due** | **Total** | **Due** | **Not due** | **Total** |
| *Accounts receivables, not written down* | | | | | | |
| less than 30 days old | 156 | 846 | 1,002 | 89 | 575 | 664 |
| 31-60 days old | 67 | - | 67 | 30 | - | 30 |
| more than 60 days old | 31 | - | 31 | 32 | - | 32 |
| *Accounts receivables written down* | | | | | | |
| more than 60 days old | 35 | - | 35 | 12 | - | 12 |
| Deduction for reserves | -35 | - | -35 | -12 | - | -12 |
| **TOTAL ACCOUNTS RECEIVABLES** | **254** | **846** | **1,100** | **151** | **575** | **726** |
| Other financial assets | - | 108 | 108 | - | 51 | 51 |
| **BOOK VALUE, FINANCIAL ASSETS EXCL. CASH AND CASH EQUIVALENTS** | **254** | **954** | **1,208** | **151** | **626** | **777** |

| Change in provision for uncertain accounts receivables | 2016 | 2015 |
|---|---|---|
| Opening balance | 12 | 9 |
| Acquisitions/sales of operations | 21 | - |
| Increase in provision via the income statement | 6 | 7 |
| Utilised reserve due to ascertained customer losses | -2 | 0 |
| Reverse provisions | -2 | -3 |
| Translation differences for the year | 0 | -1 |
| **Closing balance** | **35** | **12** |

*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.*

**Time analysis of financial liabilities reported to undiscounted cash flows including accrued interest.**

| The Group | 2016 | 2015 |
|---|---|---|
| Maturity date | | |
| within 1 year | 1,960 | 1,289 |
| between 1 and 3 years | 647 | 124 |
| between 3 and 5 years | 435 | 22 |
| after 5 years | 182 | 25 |
| | **3,224** | **1,460** |

| Parent Company | 2016 | 2015 |
|---|---|---|
| Maturity date | | |
| within 1 year | 1,338 | 937 |
| between 1 and 3 years | 429 | 50 |
| between 3 and 5 years | 241 | - |
| after 5 years | 165 | - |
| | **2,173** | **987** |

**INFORMATION ABOUT RECOGNISED VALUE PER CATEGORY AND FAIR VALUE PER CLASS**

| Group<br>2016 | Derivatives that are applied in hedge accounting | Financial liabilities measured at fair value via the income statement | Loans and trade receivables | Other financial liabilities | Total recognised value | Fair value [1)] |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Financial non-current assets | | | 6 | | 6 | 6 |
| Accounts receivables | | | 1,100 | | 1,100 | 1,100 |
| Derivative receivables (level 2) | 11 | | | | 11 | 11 |
| Other receivables | | | 91 | | 91 | 91 |
| Cash and cash equivalents [2)] | | | 404 | | 404 | 404 |
| **TOTAL FINANCIAL ASSETS** | **11** | | **1,601** | | **1,612** | **1,612** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 1,269 | 1,269 | 1,269 |
| Convertible debenture loan | | | | 185 | 185 | 195 |
| Overdraft facilities | | | | 650 | 650 | 650 |
| Derivative liability (level 2) | 34 | | | | 34 | 34 |
| Conditional purchase sum (level 3) | | 233 | | | 233 | 233 |
| Advance payments from customers | | | | 22 | 22 | 22 |
| Accounts payable | | | | 641 | 641 | 641 |
| Other liabilities | | | | 115 | 115 | 115 |
| Accrued expenses, financial liability | | | | 4 | 4 | 4 |
| **TOTAL FINANCIAL LIABILITIES** | **34** | **233** | | **2,886** | **3,153** | **3,163** |
| **2015** | | | | | | |
| **Financial assets** | | | | | | |
| Financial non-current assets | | | 1 | | 1 | 1 |
| Accounts receivables | | | 726 | | 726 | 726 |
| Derivative receivables (level 2) | 4 | | | | 4 | 4 |
| Other receivables | | | 46 | | 46 | 46 |
| Cash and cash equivalents [2)] | | | 258 | | 258 | 258 |
| **TOTAL FINANCIAL ASSETS** | **4** | | **1,031** | | **1,035** | **1,035** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 105 | 105 | 105 |
| Convertible debenture loan | | | | 69 | 69 | 69 |
| Overdraft facilities | | | | 778 | 778 | 778 |
| Derivative liability (level 2) | 31 | | | | 31 | 31 |
| Conditional purchase sum (level 3) | | 42 | | | 42 | 42 |
| Advance payments from customers | | | | 9 | 9 | 9 |
| Accounts payable | | | | 374 | 374 | 374 |
| Other liabilities | | | | 49 | 49 | 49 |
| Accrued expenses, financial liability | | | | 2 | 2 | 2 |
| **TOTAL FINANCIAL LIABILITIES** | **31** | **42** | | **1,386** | **1,459** | **1,459** |

| Parent Company<br><br><br>2016 | Derivatives that are applied in hedge accounting | Financial liabilities measured at fair value via the income statement | Loans and trade receivables | Other financial liabilities | Total recognised value | Fair value [1] |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Receivables, Group companies | | | 623 | | 623 | 623 |
| Cash and cash equivalents [2] | | | 0 | | 0 | 0 |
| **TOTAL FINANCIAL ASSETS** | | | **623** | | **623** | **623** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 928 | 928 | 928 |
| Convertible debenture loan | | | | 185 | 185 | 195 |
| Overdraft facilities | | | | 723 | 723 | 723 |
| Accounts payable | | | | 5 | 5 | 5 |
| Liabilities to Group companies | | | | 25 | 25 | 25 |
| Conditional purchase sum (level 3) | | 228 | | | 228 | 228 |
| Other liabilities | | | | 6 | 6 | 6 |
| Accrued expenses, financial liability | | | | 3 | 3 | 3 |
| **TOTAL FINANCIAL LIABILITIES** | **0** | **228** | | **1,875** | **2,103** | **2,113** |

| 2015 | | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Receivables, Group companies | | | 359 | | 359 | 359 |
| Cash and cash equivalents [2] | | | 0 | | 0 | 0 |
| **TOTAL FINANCIAL ASSETS** | | | **359** | | **359** | **359** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 4 | 4 | 4 |
| Convertible debenture loan | | | | 69 | 69 | 69 |
| Overdraft facilities | | | | 792 | 792 | 792 |
| Accounts payable | | | | 4 | 4 | 4 |
| Liabilities to Group companies | | | | 75 | 75 | 75 |
| Conditional purchase sum (level 3) | | 40 | | | 40 | 40 |
| Other liabilities | | | | 1 | 1 | 1 |
| Accrued expenses, financial liability | | | | 2 | 2 | 2 |
| **TOTAL FINANCIAL LIABILITIES** | **0** | **40** | | **947** | **987** | **987** |

*1) For current receivables and liabilities with a lifetime of less than six months, the reported value is considered to reflect the fair value.*
*2) Cash and cash equivalents are made up in their entirety of cash and bank funds*

**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. Refer also to Note 5.

## NOTE 22. LEASING

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

| | 2016 | 2015 |
|---|---|---|
| *Plant and machinery* | | |
| *Accumulated acquisition values* | | |
| At the start of the year | 74 | 70 |
| Additions | 1 | 3 |
| Acquisitions/sales of subsidiaries | 13 | 2 |
| Sales and disposals | -7 | 0 |
| Translation differences for the year | 1 | -1 |
| | **82** | **74** |
| *Accumulated depreciation according to plan* | | |
| At the start of the year | -53 | -46 |
| Depreciation according to plan for the year | -6 | -6 |
| Sales and disposals | 7 | 0 |
| Translation differences for the year | 1 | -1 |
| | **-51** | **-53** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **31** | **21** |
| *Borrowing, financial leasing* | | |
| Current portion, maturity date within one year | 8 | 5 |
| Non-current portion, maturity date between one and three years | 6 | 8 |
| Non-current portion, maturity date between three and five years | 6 | 8 |
| Non-current portion, maturity date over five years | 1 | 2 |
| | **21** | **23** |

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

During 2016, the cost for these agreements, excluding consideration for deferred tax, amounted to SEK 6 million (6). Future obligations for financial agreements amount to SEK 22 million (24) and are distributed as follows:

| | Nominal value 2016 | Current value 2016 |
|---|---|---|
| Current portion, maturity date within one year | 8 | 8 |
| Non-current portion, maturity date between one and three years | 6 | 6 |
| Non-current portion, maturity date between three and five years | 7 | 6 |
| Non-current portion, maturity date over five years | 1 | 1 |
| | **22** | **21** |

| | 2015 | 2015 |
|---|---|---|
| Current portion, maturity date within one year | 5 | 5 |
| Non-current portion, maturity date between one and three years | 8 | 8 |
| Non-current portion, maturity date between three and five years | 9 | 8 |
| Non-current portion, maturity date over five years | 2 | 2 |
| | **24** | **23** |

**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 128 million (105) in 2016, of which rental costs for properties amounted to SEK 105 million (85). There are no significant variable charges or restrictions. Agreed future payments for operational leases amount to SEK 599 million (329), and are distributed as follows:

| | 2016 | 2015 |
|---|---|---|
| Maturity date within one year | 135 | 98 |
| Maturity date between one and five years | 294 | 188 |
| Maturity date more than five years | 170 | 43 |
| | **599** | **329** |

## NOTE 23. INVENTORY

| The Group | 2016 | 2015 |
|---|---|---|
| Raw materials and supplies | 460 | 359 |
| Products in progress | 114 | 67 |
| Finished products and trading goods | 456 | 432 |
| Advance payments for goods | 6 | 1 |
| | **1,036** | **859** |

*The year's impairment of finished products and trading goods expensed to the year's income totalled SEK 17* million (12) for the Group.*
**Excluding measures in association with restructuring*

## NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

| The Group | 2016 | 2015 |
|---|---|---|
| Prepaid rent and leasing fees | 12 | 13 |
| Prepaid insurance premiums | 5 | 4 |
| Other prepaid expenses | 47 | 30 |
| Accrued income | 3 | 3 |
| | **67** | **50** |

| Parent Company | 2016 | 2015 |
|---|---|---|
| Prepaid rent and leasing fees | 0 | 0 |
| Prepaid insurance premiums | 1 | 0 |
| Other prepaid expenses | 24 | 10 |
| | **25** | **10** |

## 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.

A convertible debenture loan is a combined financial instrument that is both liability and equity. 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 value of the equity instrument is calculated as the different between the issue payment and the fair value of the financial liability. Equity instruments are 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. There were no divestments or liquidations in 2016 or 2015.

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

| Translation reserve related to the Parent Company's shareholders | 2016 | 2015 |
|---|---|---|
| Opening balance | -28 | 0 |
| Translation difference when translating foreign operations | 13 | -32 |
| Change in fair value of hedges of net investments | 1 | 5 |
| Tax | 0 | -1 |
| **Closing balance** | **-14** | **-28** |
| **Translation reserve related to holdings without controlling influence** | | |
| Opening balance | 10 | 10 |
| Translation differences for the year | 2 | 0 |
| **Closing balance** | **12** | **10** |

*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.

| | 2016 | 2015 |
|---|---|---|
| Opening balance | -23 | -23 |
| Change in fair value of cash flow hedges | -10 | 4 |
| Change in fair value of cash flow hedges transferred to the year's profit or loss | 13 | -4 |
| Tax | -1 | 0 |
| **Closing balance** | **-21** | **-23** |
| **Total other reserves related to the Parent Company's shareholders** | **-35** | **-51** |
| **Total other reserves related to non controlling interest** | **12** | **10** |

**Profit brought forward**

Profit brought forward, including net profit for the year, includes earned gains in the Parent Company and its subsidiaries. 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 42,660 thousand distributed between 22,166,400 Class A shares and 80,217,030 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 0.4167 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. ALLOCATION OF PROFITS

| Parent Company | 2016 | 2015 |
|---|---|---|
| *The following unrestricted profit is at the disposal of the Annual General Meeting:* | | |
| Share premium reserve | 309 | 285 |
| Profit brought forward | 100 | 210 |
| Net profit for the year | 313 | 121 |
| **TOTAL** | **722** | **616** |

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

| | | |
|---|---|---|
| To be paid as dividends to shareholders, SEK per share | 1.75 | 1.67 |
| Number of shares | 102,383,430 | 101,719,230 |
| To be paid as dividends to shareholders in total | 179 | 170 |
| To be carried forward to a new account | 543 | 446 |
| **TOTAL** | **722** | **616** |

## NOTE 27. NET DEBT AND OVERDRAFT FACILITY

| Group's interest-bearing net debt | 2016 | 2015 |
|---|---|---|
| Liabilities to credit institutions 1) | 1,269 | 105 |
| Convertible debenture loan | 185 | 69 |
| Overdraft facilities | 650 | 778 |
| Derivative liabilities | 34 | 31 |
| Cash and cash equivalents | -404 | -258 |
| Derivative receivables | -11 | -4 |
| | **1,723** | **721** |
| **Group's risk-bearing capital** | | |
| Equity attributable to Parent Company shareholders | 1,512 | 1,463 |
| Equity related to non controlling interests | 122 | 83 |
| Provision for deferred tax liabilities | 77 | 52 |
| Convertible debenture loan | 185 | 69 |
| | **1,896** | **1,667** |

*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 debt 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.*

*1) Acquisitions during 2016 have been financed through newly arranged credit facilities totalling SEK 784 million.*

**OVERDRAFT FACILITIES**

| The Group | 2016 | 2015 |
|---|---|---|
| Granted overdraft facility | 1,197 | 1,145 |
| Utilised overdraft facility | 650 | 778 |
| **Unutilised overdraft facility** | **547** | **367** |
| **Parent Company** | | |
| Granted overdraft facility | 1,111 | 1,063 |
| Utilised overdraft facility | 723 | 792 |
| **Unutilised overdraft facility** | **388** | **271** |

*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 275 million (581) 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 632 million (742), i.e. the Parent Company has a claim against subsidiaries totalling SEK 357 million (160).*

## NOTE 28. CONVERTIBLE DEBENTURE LOAN

The company has two outstanding convertible loans nominally at a total of SEK 197.7 million. Both loans are targeted at the Group's employees at market conditions. The first loan was taken out in June 2014 in which 602,004 convertibles were subscribed for that can be converted to one share at a conversion price of SEK 49.83. The nominal amount is SEK 30 million, which corresponds to 602,004 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 2.0 percentage points. During the period 1 June 2018 to 11 June 2018, the convertible debenture can be converted to shares at a conversion rate of SEK 49.83 per share. The loan's nominal amount is SEK 49.83. The information is updated after the split. The second loan was taken out in June 2016 in which 1,950,000 convertibles were subscribed for, and each convertible can be converted to one share at a conversion price of SEK 86. The nominal amount is SEK 167.7 million, which corresponds to 1,950,000 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 2020 at an annual interest rate of STIBOR 3 months (minimum 0) plus 2.2 percentage points. During the period 1 June 2020 to 12 June 2020, the convertible debenture can be converted to shares at a conversion rate of SEK 86 per share. The loan's nominal amount is SEK 86.

## 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** | **2016** | **2015** |
|---|---|---|
| *Net costs* | | |
| Interest on the year's increase of present value of pension commitments | 1 | 1 |
| Net of earned pensions and paid premiums during the year | -2 | -2 |
| Expected return on management assets | -1 | -1 |
| **RECOGNISED PENSION COSTS, NET** | **-2** | **-2** |
| | | |
| *Recognised provisions per 31 December* | | |
| Pension commitments' present value | 65 | 29 |
| Management asset's fair value | -33 | -24 |
| **RECOGNISED PROVISIONS PER 31 DECEMBER** | **32** | **5** |
| | | |
| *The net amount is distributed between the following countries* | | |
| Norway | 3 | 2 |
| Sweden | 2 | 2 |
| Italy | 18 | - |
| France | 8 | - |
| Other | 1 | 1 |
| **OBLIGATIONS RECOGNISED IN THE BALANCE SHEET** | **32** | **5** |

| | **2016** | **2015** |
|---|---|---|
| *Change in recognised provision* | | |
| Opening net liability | 5 | 8 |
| Transferred provision in association with business acquisitions | 26 | |
| Actuarial gains and losses | 3 | -1 |
| Realignment | 0 | 0 |
| Pension costs, net | -2 | -2 |
| **RECOGNISED PROVISIONS PER 31 DECEMBER** | **32** | **5** |

| *The most important assumptions used for determining commitments for pensions (%)* | 2016 | 2015 |
|---|---|---|
| Discount factor | 1.3-2.1% | 2.50% |
| Future wage increases | 1.0-2.5% | 2.50% |
| Future pension increases | 2.0-2.6% | 2.25% |
| Expected yield | 2.10% | 2.50% |

**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 2016 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 3 million (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 2016, Alecta's surplus in the form of the collective solvency level was 149 per cent (153).

## NOTE 30. OTHER PROVISIONS

| The Group | 2016 | 2015 |
|---|---|---|
| Restructuring reserve [1] | 52 | - |
| Guarantee fund | 3 | 3 |
| Environmental reserve | 1 | 1 |
| Other provisions | 15 | 5 |
| | **71** | **9** |

*1) The 2016 restructuring reserve refers to costs in association with the closure of the production unit in Belgium. The utilisation of the restructuring reserve in 2015 refers to a provision for the integration of operations that were acquired in 2014.*

*2) The acquired provision refers primarily to a provision for agents pursuant to Italian law and is based on average commission over the past 5 years.*

| Group 2016 | Guarantee fund | Environmental reserve | Restructuring reserve [1] | Other provisions [2] | Total |
|---|---|---|---|---|---|
| **Opening balance as per 1 Jan 2016** | **3** | **1** | **-** | **5** | **9** |
| The year's provisions | 0 | - | 52 | - | 52 |
| Acquisitions of subsidiaries[2] | - | - | - | 11 | 11 |
| Utilised provisions | - | 0 | - | -1 | -1 |
| **Closing balance as per 31 Dec 2016** | **3** | **1** | **52** | **15** | **71** |
| | | | | | |
| **of which, current provisions** | **-** | **0** | **44** | **3** | **47** |
| **of which, non-current provisions** | **3** | **1** | **8** | **12** | **24** |

| Group 2015 | Guarantee fund | Environmental reserve | Restructuring reserve [1] | Other provisions | Total |
|---|---|---|---|---|---|
| **Opening balance as per 1 Jan 2015** | **3** | **1** | **12** | **5** | **21** |
| Utilised provisions 2015 | - | 0 | -12 | 0 | -12 |
| **Closing balance as per 31 Dec 2015** | **3** | **1** | **0** | **5** | **9** |
| | | | | | |
| **of which, current provisions** | **-** | **0** | **-** | **-** | **0** |
| **of which, non-current provisions** | **3** | **1** | **-** | **5** | **9** |

## NOTE 31. ACCRUED EXPENSES AND PREPAID INCOME

| The Group | 2016 | 2015 |
|---|---|---|
| Payroll and vacation expenses | 117 | 80 |
| Accrued social security fees, including pension and payroll tax | 60 | 33 |
| Accrued sales commissions | 47 | 41 |
| Accrued service-related expenses | 4 | 4 |
| Accrued interest expenses | 4 | 2 |
| Other accrued expenses | 36 | 28 |
| Prepaid income | 16 | 12 |
| | **284** | **200** |

| Parent Company | | |
|---|---|---|
| Payroll and vacation expenses | 7 | 7 |
| Accrued social security fees, including pension and payroll tax | 4 | 4 |
| Accrued interest expenses | 3 | 2 |
| Other accrued expenses | 0 | 0 |
| | **14** | **13** |

## NOTE 32. PLEDGED ASSETS

| The Group | 2016 | 2015 |
|---|---|---|
| *Pledges for own liabilities* | | |
| Property mortgages | 73 | 44 |
| Business mortgages | 221 | 182 |
| Shares in subsidiaries | 1,782 | 815 |
| **TOTAL PLEDGED ASSETS** | **2,075** | **1,041** |

| Parent Company | | |
|---|---|---|
| *Pledges for own liabilities* | | |
| Shares in subsidiaries | 1,381 | 398 |

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

## NOTE 33. CONTINGENT LIABILITIES

| The Group | 2016 | 2015 |
|---|---|---|
| Guarantee undertakings | 154 | 10 |
| | | |
| **Parent Company** | | |
| Sureties for subsidiaries | 478 | 264 |

## NOTE 34. RELATED PARTIES TRANSACTIONS

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. For information 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 23 million (23) for the properties in Jönköping and Nässjö were paid in 2016 to Tosito AB where Board member Stig-Olof Simonsson is a shareholder. Prepaid rent affects the balance sheet by SEK 0 million (5) and accounts payable by SEK 0 million (6).
- In 2016, purchases at a value of SEK 5 million (12) were made by ITAB Shop Concept Nässjö AB from Arion Sweden AB which, up until December 2016, was owned by Pomona-gruppen AB, of which Board member Fredrik Rapp is the CEO.
- Purchases to a total value of SEK 1 million (1) have been made in 2016 by the ITAB companies ITAB Guidance AB, ITAB Shop Concept Jönköping AB, ITAB Shop Concept Nässjö AB, MB Shop Design AB and ITAB Shop Concept Finland Oy from companies in the XANO Group, which are under the controlling influence of board member Anna Benjamin and family.

## NOTE 35. EVENTS AFTER THE CLOSING DAY

No significant events have occurred after the closing day.

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 development of the Group's and the Parent Company's business activities, position and financial results, as well as describing 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 2017. 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 9 May 2017.

**Jönköping, 23 March 2017**

| | | | |
|---|---|---|---|
| Fredrik Rapp<br>Chairman | Anna Benjamin<br>Board member | Petter Fägersten<br>Board member | Sune Lantz<br>Board member |
| Stig-Olof Simonsson<br>Board member | Lottie Svedenstedt<br>Board member | Anders Moberg<br>Board member | Ulf Rostedt<br>CEO |

**Our audit was submitted on 27 March 2017**

**Ernst & Young AB**

Stefan Engdahl
Authorised Public Accountant

# AUDITORS' REPORT

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

## STATEMENT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have carried out an audit of the annual accounts and consolidated accounts for ITAB Shop Concept AB (publ) for the 2016 financial year. The company's annual accounts and consolidated accounts are included on pages 48-82 in this document.

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 2016 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 2016 and its financial performance and cash flows for the year in accordance with the International Financial Reporting Standards (IFRS), 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 sheets of the Parent Company and the Group be adopted.

### Basis for our opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in greater detail in the section Auditor's responsibility. We are independent of the Parent Company and the Group according to generally accepted auditing standards in Sweden, and have also complied with our ethical requirements pursuant to these requirements.

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

### Particularly important areas

Particularly important areas for the audit are those areas that, in our professional judgement, were the most significant for the audit of the annual accounts and the consolidated accounts for the relevant period. These areas were covered within the framework of the audit of, and in our stance on, the annual accounts and the consolidated accounts as a whole, although we are not making any separate statements on these areas.

### Valuation of goodwill and participations in Group companies

Goodwill is recognised at SEK 1,436 million and participations in Group companies are recognised in the Parent Company at SEK 2,211 million as at 31 December 2016. Every year, and when there is an indication of a fall in value, ITAB checks that the recognised value does not exceed the calculated recoverable amount. The recoverable amount is determined through a current value calculation of future cash flows for a cash flow-generating unit, and is based on the anticipated outcome of a number of factors based on the management's business plans and forecasts.

The impairment test for 2016 did not result in any impairment. Altered assessments of the assumptions the management has made in the assessment of the recoverable amount, such as future cash flows, growth and discount rate, could however have resulted in the occurrence of an impairment requirement, which is why the recognition of goodwill and participations in Group companies have been considered to be a particularly significant area of the audit. A description of the impairment test can be seen from Note 18 "Intangible assets" and in Note 3 "Important estimates and assessments".

In our audit, we have evaluated and tested the company's process for establishing impairment tests, including by evaluating the accuracy of forecasts and assumptions in previous years. With the aid of our valuation specialists, we have assessed the selected discount rate and assumptions regarding long-term growth. We have also examined the company's model and method for implementing impairment tests, and have evaluated the company's sensitivity analysis. We have assessed whether information provided in the annual accounts is appropriate.

### Business combinations

The Group has conducted four business combinations during 2016, with the total acquisition price amounting to SEK 997 million and acquired intangible assets amounting to SEK 848 million, of which goodwill amounted to SEK 813 million. The company's information regarding the acquisitions can be seen from Note 5 "Business acquisitions and divestments" and in Note 3 "Important estimates and assessments".

The recognition of these acquisitions has required significant estimates on the part of the company. The most important assessments relate to the allocation of the purchase sum for acquired assets and liabilities, as well as required adaptations of the Group's accounting principles. In the preparation of acquisition analyses, the company has made most assumptions in respect of areas such as future cash flows, growth, discount rate and the choice of valuation model. The allocation of acquired assets and liabilities is a particularly important area of the audit, as this requires considerable assumptions on the part of the company and entails significant estimates in the accounts.

In the audit, we have evaluated and examined the company's processes for preparing acquisition analyses, for example by evaluating the reasonableness of future cash flows and growth assumptions. We have examined the company's models and methods for carrying out acquisition analyses and the reasonableness of the choice of valuation model, in addition to assumptions regarding areas such as discount rate and future cash flows as well as the service life of assets. We have also examined the adjustments that have been made to adapt the acquired companies' accounting principles to those of the Group. We have examined the appropriateness of information provided in the annual accounts.

### Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts. The Board of Directors and CEO are responsible for this other information, which can be found on pages A-B.

Our opinion concerning the annual accounts and consolidated accounts does not encompass this information, and we do not give any verified opinion in respect of this other information.

In conjunction with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information that has been identified above and to consider whether the information, to a significant extent, is incompatible with the annual accounts and consolidated accounts. In this review, we also take into consideration the knowledge we have otherwise acquired during the course of the audit, and assess whether the information appears to contain any material misstatement.

If, based on the work carried out in respect of this information, we come to the conclusion that the other information contains a material misstatement, we are obliged to report this. We have nothing to report in this respect.

### Responsibilities of the Board of Directors and CEO

The Board of Directors and CEO are responsible for the annual accounts and the consolidated accounts being prepared and providing a fair view according to the Annual Accounts Act and, ▶

as regards the consolidated accounts, according to IFRS as adopted by the EU. The Board of Directors and CEO are also responsible for any internal control they consider necessary to enable the preparation of annual accounts and consolidated accounts that are free of any material misstatement, whether due to fraud or error.

When preparing the annual accounts and the consolidated accounts, the Board of Directors and CEO are responsible for assessing the company's ability to continue operations. Where appropriate, they provide information about conditions that can influence the ability to continue operations and to employ the assumption regarding continued operation. However, the assumption regarding continued operation is not applied if the Board of Directors and the CEO intend to wind up the company, cease operations or have no realistic alternative to implementing one of these options.

The Board's Audit Committee must monitor the company's financial reporting, without this affecting the Board's other responsibilities and duties.

**Auditor's responsibility**

Our goals are to obtain reasonable assurance that the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to submit an auditors' report that includes our opinions. Reasonable assurance corresponds to a high level of certainty, but is not a guarantee that an audit carried out according to ISA and generally accepted auditing standards in Sweden will always discover a material misstatement, should one exist. Misstatements can arise due to fraud or error, and are considered to be material if, individually or together, they can reasonably be expected to affect the financial decisions that users make on the basis of the annual accounts and the consolidated accounts.

As part of an audit in accordance with ISA, we employ professional judgement and adopt a professionally sceptical attitude throughout the audit. In addition:

- we identify and assess the risks of material misstatements in the annual accounts and the consolidated accounts, whether these are due to fraud or error, formulate and carry out audit procedures in part on the basis of these risks and obtain audit evidence that is sufficient and appropriate to constitute grounds for our opinions. The risk of not discovering a material misstatement due to fraud is higher than with a material misstatement due to error, as fraud can entail collusion, falsification, intentional omissions, incorrect information or the disregarding of internal control.
- we acquire an understanding of that part of the company's internal control that is important for our audit, in order to formulate audit procedures that are appropriate with regard to the circumstances, but not to express our opinion on the effectiveness of the internal control.
- we evaluate the appropriateness of the accounting principles that are used and the reasonableness of the Board of Directors' and the CEO's estimates in the accounts and associated information.
- we draw a conclusion regarding the suitability of the Board of Directors and the CEO using the assumption regarding continued operation in the preparation of the annual accounts and the consolidated accounts. We also draw a conclusion, based on the collected audit evidence, as to whether there is any significant uncertainty factor in relation to such incidents or circumstances that can lead to significant doubt regarding the company's ability to continue operations. If we conclude that a significant uncertainty factor exists, we have to draw attention in the Auditors' report to the information in the annual accounts regarding the significant uncertainty factor or, if such information is insufficient, to modify our opinion on the annual accounts and the consolidated accounts. Our conclusions are based on the audit evidence that is obtained up until the date of the Auditors' report. However, future incidents or circumstances can mean that a company is no longer able to continue operations.
- we evaluate the overall presentation, the structure and the content of the annual accounts and the consolidated accounts, including the information, and whether the annual accounts and the consolidated accounts represent the underlying transactions and incidents in a manner that provides a fair view.
- we obtain sufficient and appropriate audit evidence in respect of the financial information for the units or the business activities within the Group, in order to give our opinion regarding the consolidated accounts. We are responsible for controlling, monitoring and executing the Group audit. We are solely responsible for our opinions.

We have to notify the Board of Directors about matters such as the planned scope and focus of the audit as well as when it will be conducted. We also have to provide information about significant observations during the audit, including any significant deficiencies within internal controls that we have identified.

We also have to supply the Board of Directors with a statement indicating that we have complied with relevant ethical requirements in respect of independence, and list all relationships and other circumstances that could feasibly affect our independence, as well as associated countermeasures where applicable.

Of the areas that are communicated to the Board of Directors, we establish which of these have been of most significance regarding the audit of the annual accounts and the consolidated accounts, including which are judged to constitute the most important risks of material misstatements and which therefore represent particularly significant areas for the audit. We describe these areas in the Auditors' report except when laws or other statutes prevent the communication of information about an issue or when, in extremely rare cases, we judge that an issue should not be communicated in the Auditors' report due to the fact that the negative consequences of doing so might reasonably be expected to be greater than the public interest regarding such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Opinions**

In addition to our audit of the annual accounts, we have also performed an audit of the administration of the Board of Directors and CEO of ITAB Shop Concept AB (publ) for the 2016 financial year, as well as of the proposed appropriations of the company's profit or loss.

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.

**Basis for our opinion**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in greater detail in the section Auditor's responsibility. We are independent of the Parent Company and the Group according to generally accepted auditing standards in Sweden, and have also complied with our ethical requirements pursuant to these requirements.

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

**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. In the event of a proposed dividend, this includes an assessment of whether the dividend is justifiable bearing in mind the demands that the nature, scope and risks of the company's and the Group's operation place on the size of the Parent Company's and the Group's equity, solvency requirement, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's business. This includes continually assessing the company's and the Group's financial situation, as well as ensuring that the company's organisation is designed so that the accounts, the administration of funds and the company's finances in general are controlled in a secure manner. The CEO must take care of the day-to-day administration in accordance with the Board of Directors' guidelines and instructions, as well as implement the measures that are necessary to ensure that the company's accounts are completed in compliance with the law and that the administration of funds is handled in a satisfactory manner.

**Auditor's responsibility**

Our goal as regards the audit of the administration, and hence our opinion concerning discharge from liability, is to obtain audit evidence in order to judge, with reasonable assurance, whether any member of the Board of Directors or the CEO in a significant respect:

- has conducted any action or been guilty of any negligence that could give rise to an obligation to pay compensation to the company.
- has acted in some other way in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our goal as regards the audit of the proposed appropriations of the company's profit or loss, and hence our opinion concerning this, is to judge, with reasonable assurance, whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance corresponds to a high level of certainty, but is not a guarantee that an audit carried out according to generally accepted auditing standards in Sweden will always discover actions or negligence that could give rise to an obligation to pay compensation to the company, or that the proposed appropriation of the company's profit or loss is not compatible with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ professional judgement and adopt a professionally sceptical attitude throughout the audit. The review of the administration and the proposed appropriations of the company's profit or loss are based primarily on the audit of the accounts. The execution of any additional audit procedures is founded on our professional judgement on the basis of risk and materiality. This means that we focus the review on such measures, areas and circumstances that are significant for the operation, and where deviations and infringements would be of particular importance for the company's situation. We analyse and assess decisions that have been taken, decision-making data, implemented measures and other circumstances that are relevant for our opinion concerning discharge from liability. 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.

**Jönköping, 27 March 2017**
**Ernst & Young AB**

**Stefan Engdahl**
**Authorised Public Accountant**

# CORPORATE GOVERNANCE REPORT

**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 of Corporate Governance ("the Code") since 1 July 2008.

The Swedish Companies Act states that there should be three decision-making organs in the company: the general meeting, the board and the managing director. 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.

Good corporate governance involves insuring that companies are managed sustainably, responsibly and as efficiently as possible for the shareholders. Trust among legislators and in society that the companies are acting responsibly is decisive for the companies' freedom to realise their strategies in order to create value. Trust among existing and potential investors that this is taking place is decisive for their interest in investing in the companies. In this way, the business sector's freedom to develop and its supply of venture capital and expertise are safeguarded. The purpose of the Swedish Code of Corporate Governance ("the Code") is to strengthen trust in Swedish listed companies by promoting positive development of corporate governance in these companies. The Code supplements legislation and other regulations by specifying a standard for good corporate governance with a high level of ambition, but also makes it possible for companies to deviate in individual cases if it is considered that this would result in better corporate governance.

**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 OMX Nordic in the Mid Cap segment.

The information requirements that ITAB consequently has to fulfil are set out in the "issuer regulations" issued by the Stock Exchange. 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 89.

**SHAREHOLDERS**

At the end of 2016, the number of shareholders in ITAB amounted to 4,925 (3,586). Institutional ownership made up 5.78 votes and 17.05 per cent of the capital. The ten largest shareholders accounted for 91.85% of the votes and 75.96% 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. Petter Fägersten controls 17.23 per cent of the capital and 52.61 per cent of the votes. Pomona-gruppen holds 29.32 per cent of the capital and 29.49 per cent of the votes.

**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.

**THE ANNUAL GENERAL MEETING**

The Annual General Meeting convenes once a year in order to decide on whether to adopt the annual accounts and consolidated accounts, on the discharge from liability for members of the Board and the CEO, and on the appropriation of profits or losses for the past year. 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 2016**

ITAB's 2016 Annual General Meeting was held on Wednesday 11 May. Attending the Meeting were 157 shareholders representing 91.38 per cent of the votes and 74.80 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 1.67 per share, for a total of SEK 169.5 million.
- Re-election of board members Anna Benjamin, Sune Lantz, Anders Moberg, Fredrik Rapp, Stig-Olof Simonsson and Lottie Svedenstedt and election of Petter Fägersten.
- Fredrik Rapp was elected Chairman of the Board.
- Anders Rudgård (Chairman), Fredrik Rapp and Johan Storm were elected to the Nomination Committee ahead of the 2017 Annual General Meeting.
- The registered auditing company Ernst & Young AB was selected as auditor, with authorised public accountant Stefan Engdahl 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.
- Repurchase of convertible programme 2012/2016.
- 3:1 share split.
- Convertible programme for employees.

**ANNUAL GENERAL MEETING 2017**

ITAB's 2017 annual general meeting will take place on Tuesday 9 May at 5 PM in ITAB's premises at Instrumentvägen 2 i Jönköping. Further information can be found on page 95.

**NOMINATION COMMITTEE**

The company shall have a 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.

Prior to the 2017 AGM, shareholders who jointly represent more than 80 per cent of the votes in ITAB have proposed Anders Rudgård as Chairman and Fredrik Rapp and Johan Storm as members of the Nomination Committee.

The Nomination Committee's task ahead of the 2017 AGM is to propose a Chairman of the Board and other Board members, as well as fees and other remuneration for Board assignments for each of the Board members. In the assessment of the Board's evaluation and in its proposals, the Nomination Committee will pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. The Nomination Committee will also submit proposals regarding the choice of auditor and fees for the auditor.

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. 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. Fredrik Rapp (Chairman), Anna Benjamin, Petter Fägersten, Sune Lantz, Anders Moberg, Stig-Olof Simonsson and Lottie Svedenstedt.

A more detailed presentation of the Board members can be found on page 90. The Board members elected by the AGM include individuals representing ITAB's major shareholders as well as independents (see table on page 89). 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 2016, 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, internal control, policies and guidelines, as well as major investments.

The Board conducts an annual evaluation, where a questionnaire is sent out to all members. The results are compiled by the Chairman of the Nomination Committee, who then provides feedback to each member. 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 2016 also covered the following:

1. **9 February.** Year-end report 2015, report from the Audit Committee in which the auditors' overall observations during the audit of the 2015 accounts were presented, evaluation of the Board's work in 2015. The Audit Committee's account for the internal audit.
2. **21 March**. Extraordinary Board meeting.
3. **11 May.** Interim report, three months, conditions ahead of Annual General Meeting.
4. **11 May.** Statutory Board meeting.
5. **15 June.** Extraordinary Board meeting.
6. **4 July.** Extraordinary Board meeting.
7. **12 July.** Half-yearly report.
8. **13-14 September.** Group strategy.
9. **2 November.** Interim report, nine months. The Audit Committee's account for the internal audit.
10. **6 December.** Budget 2017.

**AUDIT COMMITTEE**

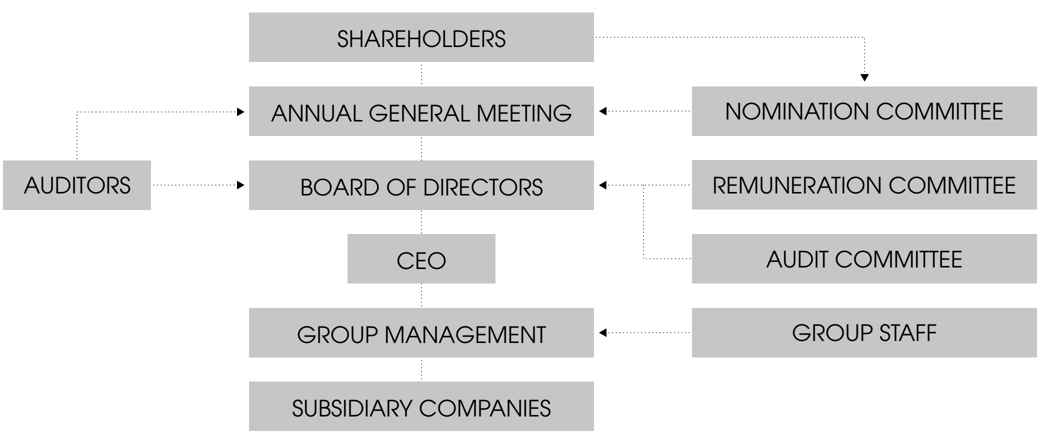
The Audit Committee will prepare the Board of Directors' work of quality-assuring the company's financial reporting, continually meet the company's auditors to obtain information about the focus and scope of the audit, as well as discuss co-ordination between the external audit and the internal control 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. ITAB's Audit Committee comprises Anna Benjamin (Chair of the Committee), Sune Lantz and Stig-Olof Simonsson.

During 2016, the Audit Committee has held three minuted meetings in which the majority of 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 ▶

## CORPORATE GOVERNANCE



tasked with preparing issues regarding remuneration and other employment terms for CEOs in other companies in the Group.

ITAB's Remuneration Committee comprises the Board members Fredrik Rapp (Chairman of the Committee), Anders Moberg and Lottie Svedenstedt.

During 2016, the Remuneration Committee has held two minuted meetings in which the majority of the members have participated.

**CEO**

The CEO 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 2016 Annual General Meeting and related to the term up to and including the 2017 Annual General Meeting. The company's auditor is the registered auditing company Ernst & Young AB, with authorised public accountant Stefan Engdahl as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Stefan Engdahl also has auditing assignments for e.g. Doro AB, AGES Industri AB and Nolato AB.

**DEVIATIONS FROM THE CODE**

There are no deviations to report for 2016.

**PRINCIPLES FOR THE REMUNERATION OF MANAGERIAL EMPLOYEES, INCENTIVE PROGRAMMES**

The Board proposes that 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 2016 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 four 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 the 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.

At the 2014 and 2016 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. COSO is a framework for evaluating a company's internal control over financial reporting. The framework streamlines the work with the internal controls.

The risk map has been updated during the year, which forms the basis for a revised internal audit programme. In addition to the business risks, the internal controls have focused on formalities, procedures and processes linked to the updated risk map.

**FINANCIAL REPORTING**

All subsidiaries submit monthly reports concerning economic outcomes, in accordance with the Group's internal finance manual. The reporting is consolidated and constitutes the basis for quarterly reports and operative follow-up. This operational follow-up is carried out in accordance with an established structure where incoming orders, invoicing, liquidity, profit, capital binding and other key figures of importance for the Group are collated and form the basis for analysis and measures by the 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.

Responsibilities and authorisation are defined in CEO instructions, instructions concerning attestation rights, manuals 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 identify, 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**

The work with internal control takes place in an internal audit programme that covers all subsidiary companies according to a pre-determined plan. Parts of the internal control are regularly examined by the auditors.

## THE COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AT THE END OF 2016

| Name | Commissions | Remu-nerations Commit-tee | Audit Com-mittee | Independent in relation to the company and corporate management | Independent in relation to major shareholders | Participa-tion in board meetings[3] | Participation in Remuneration Committee[3] | Participation in Audit Committee | Board fee incl. committee remunera-tion (SEK) |
|---|---|---|---|---|---|---|---|---|---|
| Fredrik Rapp | Chair | Chair | | Yes | No [1] | 10 (10) | 2 (2) | 1(1) | 340,000 |
| Anna Benjamin | Board member | - | Chair | Yes | No [1] | 10 (10) | - | 3 (3) | 190,000 |
| Petter Fägersten | Board member | - | - | No[4] | No [1] | 8 (8) | - | | 150,000 |
| Sune Lantz | Board member | - | Board member | Yes | No [2] | 10 (10) | - | 3 (3) | 180,000 |
| Anders Moberg | Board member | Board member | - | Yes | Yes | 9 (10) | 2 (2) | - | 180,000 |
| Stig-Olof Simonsson | Board member | - | Board member | Yes | Yes | 9 (10) | - | 1(2) | 180,000 |
| Lottie Svedenstedt | Board member | Board member | - | Yes | Yes | 9 (10) | 2 (2) | - | 180,000 |
| | | | | | | | | | **1,400,000** |

*[1] Fredrik Rapp, Petter Fägersten and Anna Benjamin, via their own holdings and holdings through companies, controlled more than ten per cent of the shares or votes in ITAB, which is why they are not to be considered as independent in relation to major shareholders.*
*[2] As a result of previous employment in companies closely related to the main owner, Sune Lantz is considered to be dependent in relation to major shareholders.*
*[3] CEO Ulf Rostedt has participated as deputy at 8 Board meetings and at 2 Remuneration Committee meetings.*
*[4] By virtue of his former employment in subsidiaries in the ITAB Group, Petter Fägersten is judged to be dependent in relation to the company and the company management.*

*More information about the Board and corporate management is provided on pages 90-91.*

**Jönköping, 23 March 2017**

Fredrik Rapp
Chairman

Anna Benjamin
Board member

Petter Fägersten
Board member

Sune Lantz
Board member

Anders Moberg
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

**Assignments and division of responsibility**

The Board of Directors is responsible for the Corporate Governance Report for 2016 on pages x-y and for ensuring that it is prepared in accordance with the Annual Accounts Act.

**Focus and scope of the examination**

Our examination has been conducted in accordance with FAR's statement RevU 16 Auditor's examination of the Corporate Governance Report. This means that our examination 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 believe that this examination provides a sufficient basis for our opinion.

**Opinion**

A Corporate Governance Report has been prepared. Information pursuant to Chapter 6, Section 6, subsection 2, points 2–6 in the Annual Accounts Act, as well as Chapter 7, Section 31, subsection 2 of the same Act, is compatible with the annual accounts and the consolidated accounts.

**Jönköping, 27 March 2017**
**Ernst & Young AB**

**Stefan Engdahl**
**Authorised Public Accountant**

# BOARD OF DIRECTORS

**FREDRIK RAPP**
(born 1972)
Chairman of the Board since 2015 and Board member since 2013
**Degrees:** B.Sc. Economics
**Principal work experience:**
CEO Pomona-gruppen AB,
CEO Talk Telecom AB
**Commissions:** Chairman of the Boards of Xano Industri AB (publ), Borgstena Group AB, Binar AB, Eesti Höövelliist AS, Serica Consulting AB, Svenska Handbollförbundet, etc. Board member of AGES Industri AB (publ), PrimeKey Solutions AB, Segulah AB, Nordic Flow group AB etc.
**Shareholding in ITAB Shop Concept AB:**
6,480,000 Class A shares
23,711,448 Class B shares

**ANNA BENJAMIN**
(born 1976)
Board member since 2004
**Degrees:** Master in Economics and Finance, Jönköping International Business School
**Principal work experience:**
Project manager business development ICA Sverige AB, Manager PricewaterhouseCoopers and Controller Nobina
**Commissions:** Board member of AGES Industri AB and XANO Industri AB
**Shareholding in ITAB Shop Concept AB:**
Class B: 10,858,620 shares

**PETTER FÄGERSTEN**
(born 1982)
Board member since 2016
**Degrees:** Economics and Finance, Jönköping International Business School
**Principal work experience:**
CEO and Head of Marketing ITAB Shop Concept Jönköping
**Commissions:** Board member of AGES Industri AB and XANO Industri AB
**Shareholding in ITAB Shop Concept AB:**
Class A: 15,686,400 shares
Class B: 1,954,374 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 bank official.
**Commissions:** Chairman of the Boards of AGES Industri AB, Nilstrand Holding AB, Miljöbyggarna Entreprenad i Linköping AB, Industri Evolution Sverige AB and Board member of XANO Industri AB etc.
**Shareholding in ITAB Shop Concept AB:**
Class B: 629,880 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:** Chairman of the Board of Byggmax AB. Board member of Bergendahl & Son AB, Hema B.V, ZetaDisplay AB, Rezidor AB, Christ GmbH and Boconcept A/S
**Shareholding in ITAB Shop Concept AB:**
Class B: 900,000 shares (endowment policy)

**STIG-OLOF SIMONSSON**
(born 1948)
Board member since 2004
**Degrees:** Bachelor of Arts
**Principal work experience:**
CEO SYSteam
**Commissions:** Chairman of the Boards of Simonssongruppen AB, TOSITO Invest AB, etc. Board member of XANO Industri AB etc.
**Shareholding in ITAB Shop Concept AB:**
Class B: 3,224,298 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 Boards of MiL Institute, Uppstart Helsingborg. Board member of Byggmax AB, Gullberg & Jansson AB, Helsingborgs IF, MiL Foundation, Swedavia AB and Vanna AB
**Shareholding in ITAB Shop Concept AB:**
Class B: 60,000 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 & Logistics Manager Eldon
**Other commissions:** –
**Shareholding in ITAB Shop Concept AB:**
Class B: 238,950 shares
Convertibles corresponding to Class B shares: 12,648 and 60,042

**MIKAEL GUSTAVSSON**
(born 1964)
Deputy CEO since 2008 and member of the Group management.
Employed 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: 126,000 shares
Convertibles corresponding to Class B shares: 12,648 and 60,042

**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: 89,820 shares
Convertibles corresponding to Class B shares: 12,648 and 60,042

## 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 Stefan Engdahl as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Stefan Engdahl also has auditing assignments for e.g. Doro AB, AGES Industri AB and Nolato AB.

**STEFAN ENGDAHL**
(born 1967)
Auditor to ITAB since 2015
Authorised Public Accountant
Member of FAR SRS, Ernst & Young AB

Information about the number of shares refers to shareholdings as per 31 December 2016 and includes, where relevant, holdings via companies, spouses and minors.

# GLOBAL REPORTING INITIATIVE (GRI)

**ITAB presents its sustainability information with the support of Global Reporting Initiatives' (GRI) standards, core level. The sustainability report is prepared annually and forms part of ITAB's annual report. The sustainability information presented in the annual report for 2016 has not been reviewed by an external party.**

All in all, the information in the annual report will provide a good picture of ITAB's work within the framework of social, financial and environmental sustainability.

The sustainability information in the report has been defined and delimited on the basis of an analysis of ITAB's most essential issues, and describes the impact both within and outside of the organisation.

GRI's fundamental principles for sustainability reporting form the basis for the preparation of ITAB's GRI report. This includes consideration having been given in order to ensure good reporting quality and to delimit and define the content of the report.

**CONTACT PERSON, GRI**
Samuel Wingren, CFO
samuel.wingren@itab.com
Tel.: +46 (0)36-31 73 00

# GRI INDEX

**The index below indicates where mandatory general disclosures and topic-specific disclosures from the materiality analysis are reported in the annual report.**

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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.

**Checkout Arena**
ITAB's concept for the checkout arena.

**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.

**FashionFlow**
A self-checkout system specially designed for the fashion industry.

**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.

**Pick & Go with AirFlow**
A new advance within Checkout Arena, the system means that when the consumer picks the product in the shop, it is registered immediately.

**PIRI**
A system offering entirely new control of the shop environment, with lighting, sound and images integrated in a wireless network.

**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.

**Self-checkout, SCO**
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.

# WELCOME TO THE 2017 ANNUAL GENERAL MEETING

**The Annual General Meeting will be held on Tuesday 9 May 2017, at 17.00, in ITAB's premises at Instrumentvägen 2 in Jönköping.**

**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 on Wednesday 3 May 2017, and must notify the company of their intention to participate in the Meeting not later than 4 pm on Wednesday 3 May 2017 to the address ITAB SHOP CONCEPT AB, C/O Euroclear Sweden AB, "Årsstämma", Box 191, 101 23 Stockholm, by phone on +46 (0)8-402 92 16 or via the form at www.itab.se.

Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names before Wednesday 3 May 2017 to be eligible to participate in the Meeting.

**DIVIDENDS**

The Board of Directors is proposing a dividend of SEK 1.75 per share for the 2016 financial year. The record date will be Thursday 11 May 2017 Subject to the Meeting's approval of the proposal, it is expected that dividends will be remitted by Euroclear Sweden AB on Tuesday 16 May 2017.

**NOMINATION COMMITTEE**

At the 2016 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Johan Storm. The Nomination Committee's task for the 2017 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 published on the company's website, www.itab.se, in conjunction with the notice being published there.

# FINANCIAL STATEMENTS FOR 2017

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| Interim report, January - March | 9 May |
| Annual General Meeting 2017 | 9 May |
| Interim report, January - June | 12 July |
| Interim report, January - September | 1 November |
| Year-end report 2017 | 6 February 2018 |
| Annual Report 2017 | March/April 2018 |
| Annual General Meeting 2018 | May 2018 |

▶ Download or order copies of the financial statements on ITAB's website (www.itab.se).

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