ITAB

# ANNUAL REPORT 2018


SUBS & SALADS
ALLERGENOVERSIKT - Subs
Subs
VELG BRØD
LITEN
MEDIUM
STOR
EKSTRA
DRIKKE TIL MENY
VELG MELLOM
KLASSISK ROASTBIFF
OST & SKINKE
REKER FRA ENGELSKVIKEN
KYLLING & BACON
LAG DIN EGEN SUB
Salads
MEDIUM
STOR
VÅRE SALATER
CÆSARSALAT KYLLING
VEGETAR
GÅRDSKINKE & FETA
LAG DIN EGEN SALAT
THE FLYING CULINARY CIRCUS
Burgers
MENY
LYST PÅ NOE GODT TIL KAFFEN?
faster than peeling
froosh


# BUSINESS CONCEPT

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

# BUSINESS GOALS

ITAB will achieve an annual growth rate of at least 15 per cent over an extended period ITAB will maintain and enhance its market-leading position in 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.

# ABOUT ITAB

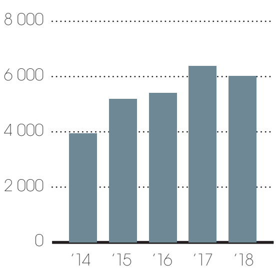
**ITAB Shop Concept sells, develops, manufactures and installs complete shop fitting concepts for retail chain stores. The all-inclusive offer includes custom-made fitting concepts, innovative solutions for the checkout arena, professional lighting systems and digital products. Customers include the 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 largest suppliers of shop concepts and lighting systems.

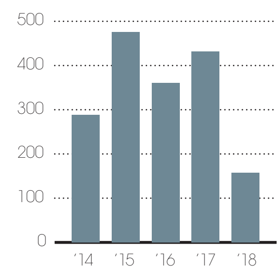
## CONTENTS


## NET SALES (SEK millions)




**SEK 6,031 MILLION**

## PROFIT AFTER FINANCIAL ITEMS (SEK MILLIONS)




**SEK 157 MILLION***

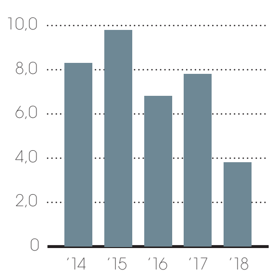
## PRODUCTION FACILITIES

**18 (in 14 countries)**

## OWN ACTIVITIES

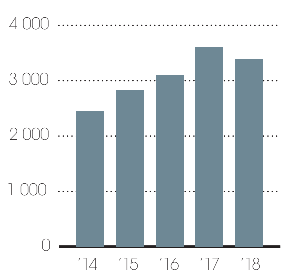
**28 countries**

## OPERATING MARGIN (%)




**3.8%**

## NUMBER OF EMPLOYEES (average)




**3,384 PEOPLE**

**4,351 SHAREHOLDERS**

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

## WORKING MODEL


**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.

**) In 2018, non-recurring items have had a negative impact on operating profit with a net effect of SEK -8 million, and a negative impact on profit after financial items with a net effect of SEK -14 million. During 2017 and 2016, operating profit and profit after financial items were affected by non-recurring items amounting to SEK 35 million and SEK -95 million respectively.*


# BUSINESS CONCEPT

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

# BUSINESS GOALS

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

# ITAB 2018 IN BRIEF

**The market has been extremely challenging and difficult to judge throughout the year. Retailers are cautious in several of our marketplaces, largely due to the underlying changes taking place in the industry, but also because of country-specific reasons such as Brexit in the UK. As a result, ITAB has launched a streamlining programme to reduce cost levels, but also to re-position the sales organisation in order to better meet the needs of, and increase sales to, the shops of the future.**

## ITAB GROUP IN FIGURES

| | | 2018 | 2017 |
|---|---|---|---|
| Net sales | SEK million | 6,031 | 6,381 |
| Growth | % | -5 | 18 |
| Operating profit[1)] | SEK million | 230 | 500 |
| Operating margin[1)] | % | 3.8 | 7.8 |
| Profit after net financial items[1)] | SEK million | 157 | 432 |
| Profit after tax | SEK million | 97 | 329 |
| Earnings per share | SEK | 0.88 | 3.11 |
| Cash flow from operating activities | SEK million | 500 | 190 |
| Dividends per share | SEK | - | 1.75 |
| Equity per share | SEK | 15.61 | 16.26 |
| Return on equity | % | 5.4 | 20.5 |
| Portion of risk-bearing capital | % | 36.2 | 36.1 |
| Share price at the end of the period | SEK | 15.00 | 51.75 |
| Average number of employees during the year | no. | 3,384 | 3,599 |
| Equity/assets ratio | % | 32.2 | 31.5 |
| Net liability | SEK million | 2,104 | 2,130 |

*[1)] In 2018, non-recurring items have had a negative impact on operating profit with a net effect of SEK -8 million, and a negative impact on profit after financial items with a net effect of SEK -14 million. During 2017, operating profit and profit after financial items were affected positively by non-recurring items amounting to SEK 35 million.*
*Non-recurring items can be found on p. 58.*

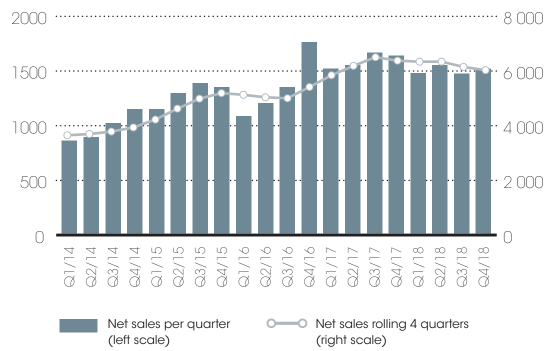
## SUMMARY 2018

- **NET SALES** fell by 5% to SEK 6,031 million (6,381).
- **OPERATING PROFIT** fell to SEK 230 million (500).
- **PROFIT AFTER FINANCIAL ITEMS** fell to SEK 157 million (432).
- **EARNINGS PER SHARE** decreased to SEK 0.88 (3.11).
- **CASH FLOW FROM CURRENT OPERATIONS** increased to SEK 500 million (190).

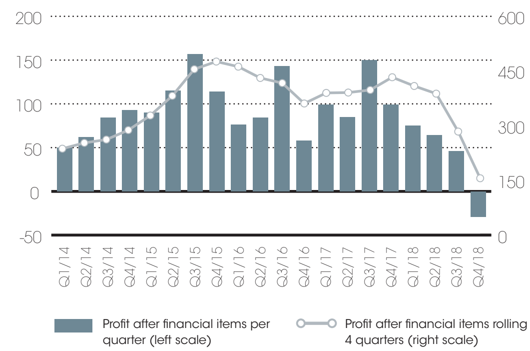
## STREAMLINING PROGRAMME

- A streamlining programme and restructuring are being implemented, with the aim of managing the change in the retail sector and the effects of reduced sales. The programme had an impact on profit after financial items amounting to SEK -63 million, which has been charged to Q4 2018.

▼ NET SALES (SEK millions)




▼ PROFIT AFTER FINANCIAL ITEMS (SEK millions)




| Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|
| ▶ **NET SALES** SEK 1,481 million (1,520) | ▶ **NET SALES** SEK 1,554 million (1,552) | ▶ **NET SALES** SEK 1,475 million (1,668) | ▶ **NET SALES** SEK 1,521 million (1,641) |
| ▶ **OPERATING PROFIT** SEK 90 million (111) | ▶ **OPERATING PROFIT** SEK 83 million (99) | ▶ **OPERATING PROFIT*** SEK 64 million (172) | ▶ **OPERATING PROFIT*** SEK -7 million (118) |
| ▶ **PROFIT BEFORE TAX** SEK 75 million (99) | ▶ **PROFIT BEFORE TAX** SEK 64 million (84) | ▶ **PROFIT BEFORE TAX*** SEK 46 million (150) | ▶ **PROFIT BEFORE TAX*** SEK -28 million (99) |

**) During Q1 of 2018, profit was positively impacted with a net effect of SEK 15 million due to the sale of a property and structuring work in Belgium. During Q2 of 2018, final negotiations took place regarding the additional purchase sum for La Fortezza, which had a positive impact on profit of SEK 14 million. During Q4, negotiations took place regarding the additional purchase sum for the D. Lindner companies, which had a positive impact on profit of SEK 20 million. In Q4, costs for the streamlining programmed affected operating profit by SEK -57 million and profit before tax by SEK -63 million. During the comparison period, Q4 2017, profit was positively impacted with a net effect of SEK 35 million due to the revaluation of the additional purchase sum in conjunction with the acquisition of La Fortezza, as well as structural costs. Information about non-recurring items can also be found on p. 58.*

## SUMMARY PER QUARTER 2018

▶ **Q1.** Sales declined by 3% compared to the same period last year. Sales were higher in NorthEast, Central Europe and Southern Europe, although they fell slightly in the UK. Sales fell significantly in Scandinavia, primarily in respect of lighting and the non-food segment, where the market has remained cautious. As a result of the prevailing market situation, a streamlining programme was introduced in order to improve profits. During the quarter, ITAB entered into an agreement to supply digital systems to Consum in Spain. This agreement is strategically important for ITAB, as it is the largest installation to date within our digital initiative regarding improved consumer experience.

▶ **Q2.** Sales were on a par with the same period last year. Sales were higher in Scandinavia, NorthEast and Central Europe, although they declined in the UK. In Southern Europe, sales were on a par with last year. The market remained generally cautious, particularly among large non-food chains and within lighting. During the quarter, ITAB entered into an agreement with DollarStore in Sweden regarding the delivery of an all-inclusive concept for the chain's newly established stores.

▶ **Q3.** Sales decreased by 12% compared to the same period last year. Sales were on a par with last year in Scandinavia, while they declined in NorthEast and Central Europe. In the UK and Southern Europe, sales fell significantly. In the UK, the reduction was primarily due to a cautious attitude in association with Brexit. The streamlining programme was extended and restructuring was initiated, with the aim of managing the changes in the retail sector and the effects of reduced sales.

▶ **Q4.** Sales fell by 7% compared to the same period last year. Sales increased slightly in the Rest of the World, while in Central Europe and Eastern Europe they were on a par with the previous year. Sales did not develop as well in Northern Europe, while in the UK and Southern Europe they were significantly worse. In the UK, the poorer sales trend is primarily due to increasing caution in association with Brexit. In Southern Europe, the primary reason is reduced sales in France.

# CEO ULF ROSTEDT ON 2018

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

## TOTAL SALES DECREASED WHILE DIGITAL PRODUCTS INCREASED

During 2018, sales decreased by 5% compared to the previous year. Currency-adjusted sales fell by 8%. As a result of the declining sales trend, a streamlining programme was launched in 2018. The implementation of the programme resulted in significant costs at the end of the year. A series of marketing activities have been conducted during the year in the form of product development and sales initiatives. These have been intended to strengthen ITAB's position in the shops of the future, and have resulted in increased sales costs in the short-term.

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

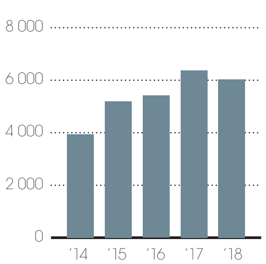
The customer group Construction and Home Furnishings achieved sales on a par with the previous year, whereas the Fashion customer group declined by approximately 10%, principally in Northern Europe. Sales within Other customer groups fell by around 11%, mainly within Sport, Industry and Electronics.

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

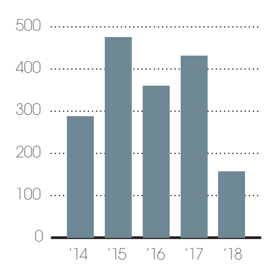
## STREAMLINING PROGRAMME AND INVESTMENTS FOR THE FUTURE

As a result of a lower rate of turnover, ITAB launched a streamlining programme during the first quarter, the primary aim of which was to reduce costs. The streamlining programme was further extended as a result of the start of the third quarter being weaker than anticipated. The streamlining programme is being implemented gradually from 2018, achieving full effect in 2020, with an estimated annual saving of approximately SEK 300 million at a cost of around SEK 75

▼ NET SALES (SEK millions)




▼ PROFIT AFTER FINANCIAL ITEMS (SEK millions)



million before tax. The programme includes both the closing down and merging of operations in several markets, and entails staff cuts amounting to around 400 people.

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

At the same time, aggressive initiatives are continuing in relation to new concepts and products for the shops of the future. In recent years, ITAB has made considerable investments in product development and initiatives aimed at ensuring that the organisation will be well prepared for the developments that are taking place in the retail sector. Ongoing skills training and changes to the sales organisation are necessary to meet the market's new demands.

## FUTURE PROSPECTS

The changes in the sector mean that the market is difficult to judge and extremely volatile in the short term. We are monitoring market trends carefully and maintaining a high tempo in our streamlining and capital rationalisation programmes.

At the same time, we are focusing heavily on winning new customers by marketing our all-inclusive offer even more clearly towards both existing customer categories as well as new, closely related customer groups. All of these measures are intended to manage a more volatile and changing market in the short term, as well as to strengthen ITAB's market position in the long term. The market is changing, but bearing in mind the restructuring work we are implementing on the sales and marketing side, as well as the fact that our streamlining programme is developing according to plan, I am looking forward to 2019 with confidence. Finally, I would like to say a big thank you to all employees within the ITAB Group for your dedication and your loyalty in 2018. I would also like to say a big thank you to our customers, other 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 First North on 28 May 2004. The share is now 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.**

SHARE PRICE DEVELOPMENT

During 2018, ITAB's share price fell from SEK 51.75 to SEK 15.00. Based on the closing price on 31 December 2018, the total value stood at SEK 1,536 million (5,298). The highest price paid during the year was quoted on 12 January 2018 at SEK 59.00 and the lowest price was quoted on 18 December at SEK 12.20.

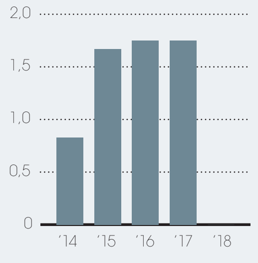
SHAREHOLDERS

The ten largest shareholders held 91.40 per cent (91.66) of the votes and 74.65 per cent (75.45) of the capital. Institutional ownership made up 5.41 per cent (6.20) of the votes and 15.96 per cent (18.29) of the capital.

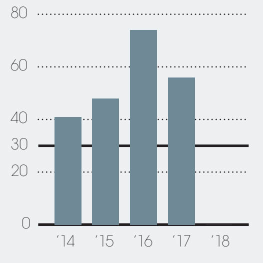
## DIVIDENDS

- The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2018 financial year. The dividend for the 2017 financial year amounted to SEK 1.75.
- 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 (%)



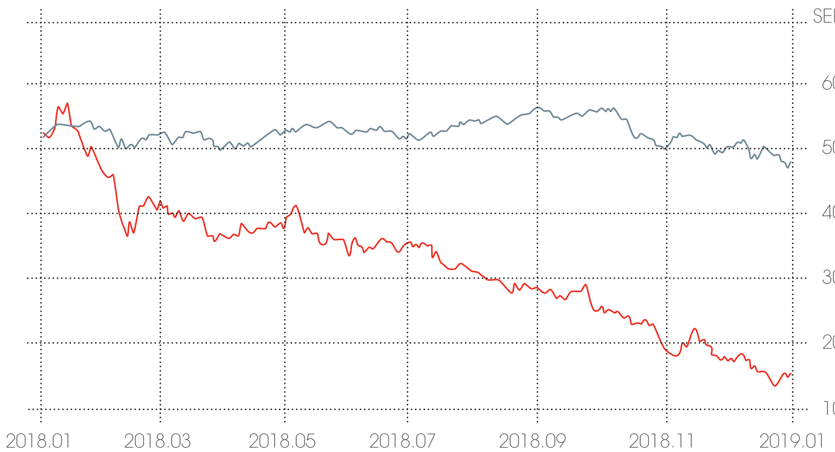
▸ On 28 May 2004, ITAB Shop Concept AB was listed on First North after having been split off from ITAB Industri AB, and the average price on the first day was approximately SEK 5.

▼ **SHARE PERFORMANCE OVER 10 YEARS**


## SHARE DATA 31/12/2018

- **SHARE PRICE ON CLOSING DAY** SEK 15.00 per share
- **ALL TIME HIGH (UP TO AND INCLUDING 2017)** 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 2018**




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 approx. SEK 5, compared to SEK 15.00 which was the most recent price paid in 2018. Share dividends have been paid out in every year from the 2004 financial year up to and including 2017. Over this period, the combined dividend amounts to SEK 8.35 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 6% per year. The operating margin has varied between 2.2% and 9.8%. *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 some 30 countries. *Read more on pages 20-23.*

▸ **UNIQUE MARKET POSITION AND STRATEGIC APPROACH WITH SELF-CHECKOUT CONCEPTS, LIGHTING SYSTEMS AND DIGITAL PRODUCTS.** ITAB's offer of self-checkout solutions, lighting systems and digital products is expected to be prioritised investment areas for the retail sector in future. *Read more on pages 24-37.*

## SHAREHOLDERS 31/12/2018

| 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 | 17,652,774 | 15 686 400 | 1 966 374 | 158,830,374 | 52.61% | 17.24% |
| Pomonagruppen AB | 30,547,264 | 6 480 000 | 24,067,264 | 88,867,264 | 29.44% | 29.84% |
| Anna Benjamin with family and companies | 10,870,620 | | 10 870 620 | 10,870,620 | 3.60% | 10.62% |
| Svolder AB | 3,806,120 | | 3,806,120 | 3,806,120 | 1.26% | 3.72% |
| Kennert Persson | 3,782,200 | | 3 782 200 | 3,782,200 | 1.25% | 3.69% |
| Stig-Olof Simonsson with company | 3,343,738 | | 3,343,738 | 3,343,738 | 1.11% | 3.27% |
| Öhman Fonder | 2,226,517 | | 2 226,517 | 2,226,517 | 0.74% | 2.17% |
| Försäkringsaktiebolaget Avanza pension | 1,530,311 | | 1 530,311 | 1,530,311 | 0.50% | 1.49% |
| Handelsbanken Fonder | 1,344,779 | | 1 344,779 | 1,344,779 | 0.45% | 1.31% |
| Catella Fondförvaltning | 1,327,893 | | 1 327,893 | 1,327,893 | 0.44% | 1.30% |
| Other | 25,951,214 | | 25,951,214 | 25,951,214 | 8.60% | 25.35% |
| | **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 31/12/2018 was 5.41% (6.20%) of the voting rights and 15.96% (18.29%) of the share capital. Information about the number of shares refers to shareholdings as per 31/12/2018 and includes, where relevant, holdings via companies, spouses and minors.*

## DISTRIBUTION OF SHARES 31/12/2018

| Share holding | No. of sharehold-ers | No. of sharehold-ers (%) | Number of shares | Number of shares (%) |
|---|---|---|---|---|
| 1-1 000 | 2,919 | 67.09% | 741,464 | 0.72% |
| 1,001-5,000 | 887 | 20.39% | 2,103,662 | 2.05% |
| 5,001-10,000 | 253 | 5.81% | 1,878,894 | 1.84% |
| 10,001-50,000 | 203 | 4.66% | 4,123,568 | 4.03% |
| 50,001-100,000 | 37 | 0.85% | 2,500,007 | 2.44% |
| 100,001- | 52 | 1.20% | 91,035,835 | 88.92% |
| **TOTAL** | **4,351** | **100.00%** | **102,383,430** | **100.00%** |

## SHARE CAPITAL TREND

| Year | Transaction | Change in share capi-tal (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

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Regular dividend | -[1] | 1.75 | 1.75 | 1.67 | 0.83 |
| Dividend as a percentage of net earnings | -[1] | 56 | 74 | 48 | 41 |
| Average number of outstanding shares | 102,383,430 | 102,383,430 | 102,076,876 | 101,719,230 | 101,719,230 |
| Actual number of shares at year-end | 102,383,430 | 102,383,430 | 102,383,430 | 101,719,230 | 101,719,230 |
| Share price on closing day (SEK) | 15.00 | 51.75 | 81.25 | 100.67 | 43.67 |
| Market capitalisation at the end of the year (SEK millions) | 1,536 | 5,298 | 8,319 | 10,240 | 4,442 |
| Highest/Lowest price | 59,00/12,20 | 86,00/48,90 | 98,67/62,75 | 112,33/42,75 | 51,33/25,25 |
| Direct yield (%) | - | 3.4 | 2.2 | 1.7 | 1.9 |
| Earnings per share | 0.88 | 3.11 | 2.36 | 3.44 | 2.01 |
| Equity per share | 15.61 | 16.26 | 14.77 | 14.38 | 12.05 |

[1] *The Board's proposal for dividends for the 2018 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.**

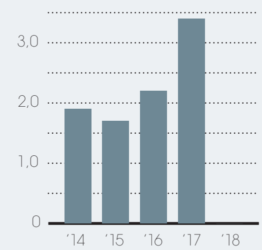
- During the period 22 May to 2 June 2014, a subscription for convertible shares was carried out in which all ITAB employees had the right to subscribe, for a total value of SEK 30 million. The allocation totalled 602,004 convertibles, and during the period 1 June 2018 to 11 June 2018 each convertible could 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). No conversions were conducted and the convertible debenture was repaid in July 2018.

- 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.

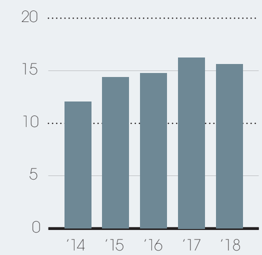
### NUMBER OF SHARES AND RESULTS WITH CONVERTIBLE DEBENTURE LOANS

| | 2018 | 2017 |
|---|---|---|
| Average number of outstanding shares | | |
| before dilution (shares) | 102,383,430 | 102,383,430 |
| after dilution (shares) | 104,333,430 | 104,935,434 |
| Actual number of shares at year-end | | |
| before dilution (shares) | 102,383,430 | 102,383,430 |
| after dilution (shares) | 104,333,430 | 104,935,434 |
| Earnings per share | | |
| before dilution (SEK) | 0.88 | 3.11 |
| after dilution (SEK) | 0.88 | 3.09 |

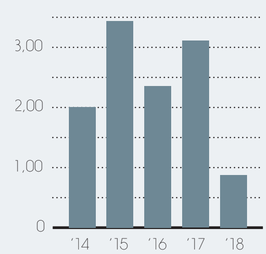
### DIRECT YIELD (%)




### EQUITY PER SHARE (SEK)




### EARNINGS PER SHARE (SEK)




*For definitions, see page 52.*

# ITAB BUSINESS CONCEPT

**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.
- Retain and strengthen the market-leading position.
- Continue to develop the all-inclusive offer.

**STRATEGIC DIRECTION**

- Expansion in selected markets
- Long term business relationships
- Market knowledge and innovative capability
- Total solutions
- Highly efficient and flexible production resources
- Expertise, commitment and business acumen

**SUSTAINABILITY FOCUS**

- Sustainable business development
- Efficiency in the value chain
- Good working conditions
- Business ethics

**VALUES**

ACT!

Think Ahead
Think Consumer
Think Together

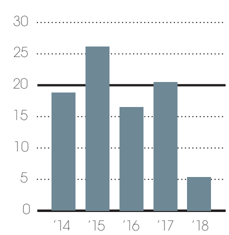
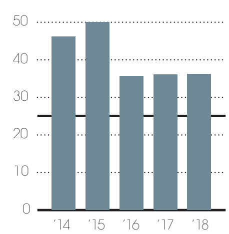
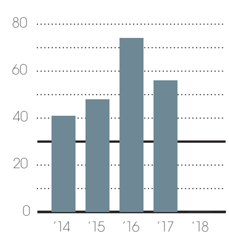
**FOUNDATION**

Entrepreneurship Commitment Responsibility

## ITAB'S BUSINESS TARGETS

| GROWTH GOALS | DESCRIPTION | REALISATION |
|---|---|---|
| ▶ ITAB will achieve an annual growth rate of at least 15% over an extended period. | The target includes both organic and acquired growth. Organic growth will be accomplished through greater market shares and product development. Acquisitions will be made of both complementary businesses and in new markets. | Sales decreased by about 5% in 2018. 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".<br>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 Europe during 2018. ITAB is one of the leading players in Europe with a local market presence across the whole of Europe. As part of its strategy of following major customers into new markets, ITAB also 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".<br>ITAB will develop all-inclusive solutions for more effective and more attractive shops by utilising its extensive market expertise and innovativeness, while also working closely with its customers. | ITAB has been offering shop fitting concepts to retail chains for many years. In recent years, ITAB has extended its offer with professional lighting systems, self-checkout systems and a digital offer for the physical shop. ITAB is now a one-stop supplier of complete shop concepts. |

## ITAB'S FINANCIAL TARGETS

| TARGETS | DESCRIPTION | REALISATION | |
|---|---|---|---|
| ▶ **RETURN ON EQUITY**<br>Over an extended period, ITAB will have a minimum 20% return on equity. | Generating good return on equity is a critical goal for ITAB. The level has been determined with consideration to ITAB's capital structure and expected earning capacity. | In 2018, return on equity reached 5.4%. Over the past five years, return on equity has averaged about 17%. |  |
| ▶ **RISK-BEARING CAPITAL**<br>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 36% at 31 December 2018. Over the past five years, the proportion of risk-bearing capital has varied between 36% and 50%. |  |
| ▶ **DIVIDENDS**<br>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. | In order to strengthen the balance sheet, the Board is proposing that no dividend be paid out for the 2018 financial year. Apart from 2018, the dividend share has been between 41% and 74% over the past five years. |  |

▶ **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 strategic business acquisitions, ITAB is now one of Europe's leading players in shop fitting concepts. Resolute and gradual growth has produced a group with market presence in large parts of Europe.**

## ITAB'S ORIGINS AND FOUNDATIONS

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. ▶

**1998**

**2004**

**2006**

**2008**

**2011**


## ITAB's HISTORY & GEOGRAPHIC DEVELOPMENT 1990–2018

**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

**1999–2002**
- Acquisition of ITAB Shop Concept Holland
- Acquisition of Skandinavisk Inredning (now included in ITAB Shop Concept Nässjö)

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

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

**2007**
- The newly built production facility in Boskovice in the Czech Republic is taken into operation.
- Acquisition of Sintek in Sweden (now 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

**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 -2016**
- Acquisition of JPD in Latvia
- Establishment of company in France
- 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

**2017-2018**
- The acquisitions of D&L Lichtplanung GmbH and D.Lindner Lichttechnische Grosshandlung GmbH, with their registered offices in Menden, Germany

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.

"Over the years, ITAB has acquired companies that have often been built up by entrepreneurs with strong operational concepts and visions."

The company experienced a downturn in profitability during the period 2008/2009. As a result of this, 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.

As part of its strategy, ITAB expanded into southern Europe in 2016 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. La Fortezza 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 expand into new markets in line with its customers' expansions.

ITAB acquired two German lighting companies during the third quarter of 2017, which jointly comprise one of the leading players as regards sales of lighting systems principally to the non-food segment in the German market. With this acquisition, ITAB is able to offer customers a combination of local lighting expertise with global sourcing of lighting products. The acquisition is a stage in the intensification of the company's marketing activities and the reinforcement of its position in Central Europe. The acquisition is in line with ITAB's strategy and continuing investment in sales of a total concept for the retail sector.

### ACQUISITION OF COMPANIES WITH SIMILAR ORIGINS

Over the years, ITAB has acquired companies that have often been 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.

## KEY PERFORMANCE INDICATORS 2009-2018

| Key ratios | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales, SEK million | 6,031 | 6,381 | 5,417 | 5,193 | 3,938 | 3,574 | 3,511 | 3,341 | 2,748 | 2,776 |
| Average number of employees | 3,384 | 3,599 | 3,097 | 2,829 | 2,441 | 2,277 | 2,194 | 1,751 | 1,512 | 1,555 |
| Operating margin, %*) | 3.8 | 7.8 | 6.8 | 9.8 | 8.3 | 6.9 | 6.7 | 5.7 | 2.2 | 4.1 |
| Profit margin, %*) | 2.6 | 6.8 | 6.7 | 9.2 | 7.3 | 6.1 | 5.8 | 4.6 | 1.1 | 3.3 |
| Equity related to the Parent Company's shareholders, SEK millions | 1,598 | 1 664 | 1 512 | 1 463 | 1 225 | 997 | 885 | 559 | 459 | 534 |
| Risk-bearing capital, SEK millions | 1,942 | 2,044 | 1 896 | 1 667 | 1 406 | 1 128 | 1 020 | 886 | 730 | 805 |
| Interest-bearing net debt, SEK millions | 2,104 | 2,130 | 1,722 | 721 | 880 | 890 | 896 | 1 183 | 1 036 | 993 |
| Balance sheet total, SEK millions | 5,364 | 5,657 | 5,315 | 3 313 | 3 043 | 2 655 | 2 510 | 2 471 | 2 087 | 1 997 |
| Equity/assets ratio, % | 32.2 | 31.5 | 30.7 | 46.7 | 42.3 | 39.1 | 36.5 | 24.2 | 22.0 | 26.8 |
| Share of risk-bearing capital, % | 36.2 | 36.1 | 35.7 | 50.3 | 46.2 | 42.5 | 40.6 | 35.9 | 34.9 | 40.3 |
| Return on equity, % | 5.4 | 20.5 | 16.5 | 26.2 | 18.8 | 16.6 | 20.7 | 24.1 | 4.6 | 14.3 |
| Net investments excluding business acquisitions | 100 | 194 | 182 | 110 | 80 | 88 | 64 | 48 | 76 | 72 |
| Net investments attributable to business acquisitions | 142 | 101 | 737 | 56 | 92 | 3 | 27 | 354 | 0 | 0 |

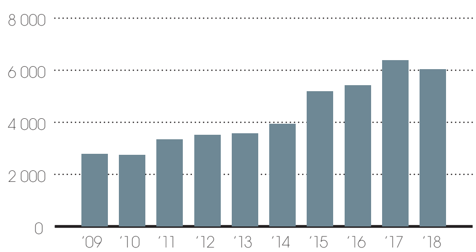
**) In 2018, non-recurring items have had a negative impact on operating profit with a net effect of SEK -8 million, and a negative impact on profit after financial items with a net effect of SEK -14 million. During 2017, operating profit and profit after financial items were affected positively by non-recurring items amounting to SEK 35 million. During 2016, operating profit and profit after financial items were adversely affected by non-recurring items amounting to SEK -95 million. Non-recurring items can be found on p. 58.*

# ITAB – TEN YEARS IN SUMMARY

## NET SALES

Over the past ten years, ITAB's net sales have increased from SEK 2,776 million to SEK 6,031 million, which corresponds to an average annual increase in sales of 6%. During this time, a number of strategic acquisitions have been completed within the framework of the clear growth strategy. Acquisitions in Germany, as well as the acquisitions of Nordic Light, New Store Europe and La Fortezza Group, have contributed positively to the change 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 concepts in Europe. Our leadership in creating more efficient solutions to improve conversion rates and service in shops, and for the shopfitting process itself, is important for the Group's growth, as is the all-inclusive offer.

▼ **NET SALES, 10 YEARS (SEK MILLIONS)**




## PROFITABILITY

In order to create a sustainable and profitable operation over time, efficiency in the value chain has been a high priority. At the start of the ten-year period, in 2009, operating profit stood at SEK 114 million, dropping to SEK 62 million at the lowest (2010) and reaching SEK 508 million at the highest (2015). The operating margin has varied between 2.2% at the lowest (2010) and 9.8% at the highest (2015).

The higher operating margin in the latter part of the ten-year period is principally due to the long-term work focusing on strengthening the gross margin through efficiency improvements. The positive margin trend is also due to increased capacity in the Group's production facilities and synergy effects in conjunction with acquisitions. The lower operating margin in 2018 was mainly due to lower net sales and costs in association with the implementation of a major, Group-wide streamlining programme.

## INVESTMENTS

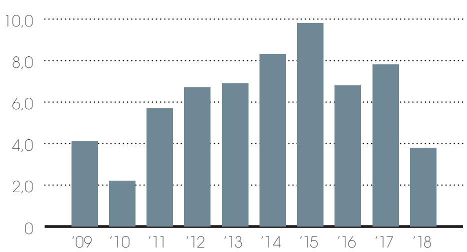
Net investments, excluding corporate acquisitions, have amounted to between one and three per cent of sales. They have principally consisted of machinery with the focus on unmanned operations, high utilisation of resources and leading technical advances. Investments related to business acquisitions have primarily been targeted at 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 prioritised areas.

## FINANCIAL PERFORMANCE

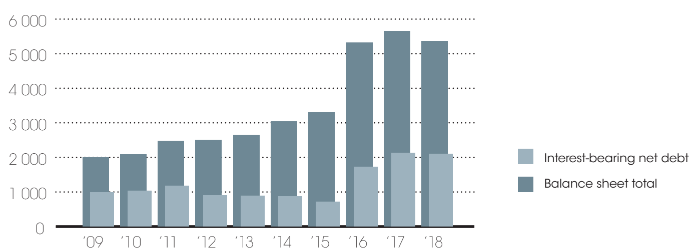
The balance sheet total has increased from SEK 1,997 million to SEK 5,364 million. This increase is in part due to the corporate acquisitions implemented during the period, and in part to the investments that have been made in both production facilities and equipment. The expansion has been realised with the aid of a positive cash flow from current activities, extended credit facilities as well as a new issue of convertible debentures. The interest-bearing net debt amounted to SEK 2,104 million at the end of 2018.

▶ **MORE INFORMATION.**
A more detailed description of the past five years can be found on pages 58-59.

▼ **OPERATING MARGIN (%)**




▼ **INTEREST-BEARING NET DEBT IN RELATION TO BALANCE SHEET TOTAL (SEK MILLIONS)**



▶ **STRATEGIC DIRECTION: LONG-TERM BUSINESS RELATIONSHIPS** 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.

# RESTRUCTURING OF THE RETAIL SECTOR CONTINUING

**The retail sector is continuing to change and digital innovation is increasingly gaining in importance. This can be seen most clearly in Scandinavia and the UK, where several large retail chains are displaying caution while they are evaluating new solutions.**

Within the food and non-food segments, demand for shop concepts is still being driven by start-ups and refurbishments, as well as by digital development in respect of shops, particularly those in the more mature market sectors. Customers are placing high demands on suppliers regarding market presence, production capacity, efficiency, delivery reliability and a strong product portfolio including digital products. Thanks to its size and capacity, ITAB is able to create long-term customer relations with the most progressive retail chains when it comes to start-ups, refurbishments and digital innovation.

## MARKET POSITION

ITAB's strong market position and potential for growth are based on close, long-term collaborations with its customers. The focus is on acting as an all-inclusive supplier, offering a complete range of solutions and products. In this way, ITAB aims to help its customers achieve their strategic goals, such as improving the customer experience, increasing efficiency and reducing store costs. Thanks to its established working model and flexible production, ITAB is able to follow major customers into new markets while retaining the same level of service. ITAB currently has operations in Europe, Asia, as well as North and South America. Europe is ITAB's dominant market, where it estimates its combined market share at around 10%.

## LONG-TERM CUSTOMER RELATIONSHIPS

ITAB's customers include Europe's largest retail chains and brand owners within both the food and the non-food sectors, with both international and national chains. These customers include Albert Heijn, Asda, Auchan, Axfood, C&A, Carrefour, Celesio, Circle K, Conad, Coop, Costa, Dixon, Dollarstore, Edeka, Etos, Finiper, H&M, Homebase, ICA, Ikea, Intermarche, John Lewis, Jumbo, Kesko, LeClerc, Leroy Merlin, Lidl, LuLu, Majid Al Futtaim, Metro Group, Morrisons, Netto, NorgesGruppen, O'key, Pandora, Prisma, Real, Rema, Rewe, Rimi, Sony, System U, Tesco, Tiger, Waitrose.

## 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. ▶

Photography: Matthias Hewing for HORST Retail Concepts GmbH


**HORST, GERMANY**
The German building/DIY chain HORST is an example of what a creative, customised store can look like. In addition to selling everything required to renovate and refurbish in the home, Horst also offers a wide range of services for its customers, such as carpentry workshops in the stores, DIY workshops, free loan of tools and loan of cargo bikes, as well as help in relation to craftsmanship.

# MARKET 2018

Most of the markets in which ITAB operates have experienced a slowdown during 2018, mainly due to the cautious approach being adopted by many retail chains in the evaluation of new shop solutions. ITAB's sales decreased by 5% compared to the previous year. Currency-adjusted sales fell by 8%. Even though many retail chains are undergoing an evaluation phase, more and more shops are choosing to invest in more efficient solutions. ITAB's sales of products that are driving the digital transformation in shops have increased dramatically during 2018.

As from 2018, ITAB is presenting the distribution of the Group's income in two dimensions – distribution by customer category and distribution by geographic area. More information about this can be found in Note 6.

## MARKET BY CUSTOMER CATEGORY

The customer groups Convenience Goods, Fashion and Other customer groups have seen a reduction in sales in 2018, while the customer group Construction and Home Furnishings has been on a par with the previous year.

### CONVENIENCE GOODS

The Convenience Goods customer group refers primarily to food stores. Sales for Convenience Goods fell during 2018, mainly in the UK and Southern Europe.

### CONSTRUCTION AND HOME FURNISHINGS

The Construction and Home Furnishings customer group refers primarily to construction, furniture and Home Furnishings stores. This customer group's total sales within the Group were on a par with the previous year.

### FASHION

The Fashion customer group refers to stores selling ready-to-wear clothing and shoes, etc. Sales within Fashion fell during 2018, principally in Northern Europe.

### OTHER CUSTOMER GROUPS

Other customer groups include e.g. electronics, sport & leisure, pharmacies, petrol stations, offices, industry, cafés and restaurants. Sales within Other customer groups fell in 2018, primarily within electronics, industry and sport & leisure.

## MARKET BY GEOGRAPHIC AREA

The UK, Southern Europe and Northern Europe have decreased, Central Europe and Eastern Europe have been on a par with last year, while the Rest of the World has achieved increased sales in 2018.

### NORTHERN EUROPE

Northern Europe is ITAB's largest geographic area, making up 29% of the Group's sales. The area covers the Nordic countries.

ITAB is the market leader in the region within both the food and non-food segments. The Nordic market has remained cautious during 2018, particularly within the retail sector, where a number of major chains have reduced their investments.

The decrease in volume has taken place within customer groups Fashion and Other customer groups, principally within the sub-group Electronics. Volumes have increased slightly in the Convenience Goods and Construction and Home Furnishings customer groups. ITAB still maintains a strong position within self-checkout systems, above all in Sweden and Norway, where installations have taken place in most of the major supermarket chains.

### UK

After Northern Europe, the UK is the Group's next-largest geographic area, making up 18% of the Group's sales.

ITAB is the market leader in the food sector and one of the larger players in the non-food sector in the region. Sales declined significantly in 2018, with the market being clearly affected by growing anxiety in relation to Brexit. ITAB has retained its market-leading position during the year, continuing to provide a reliable service and solution design innovation in the region.

The British market is at the forefront as regards new trends in the retail sector. The region leads the way as regards efficiency improvements in customer flow and service in shops, and the development of shop environments to increase customer engagement and sales. It therefore has a considerable influence on reflecting the trends that are important in the sector.

## CENTRAL EUROPE

Central Europe was responsible for 17% of the Group's net sales in 2018. This area is made up of Germany, the Netherlands, Belgium, the Czech Republic, Hungary, Switzerland and Austria.

In Central Europe, ITAB is one of the major players within the food sector, particularly in relation to checkouts and its other market-leading products. ITAB also has a strong position within lighting in this region. The strength of its reputation for checkouts means that the conditions for the sale of self-checkout concepts and digital products are good. Several of our major customers are choosing to buy a number of additional elements from ITAB's range, strengthening our supply relationships. Thanks to the 2017 acquisition of lighting companies in Germany, ITAB has a good platform for increasing sales of lighting in Central Europe, as the customers are being offered a combination of local lighting expertise and global sourcing of lighting products.

Sales to the largest customer group, Convenience Goods, increased slightly compared to last year, while sales to the other customer groups developed on a par with 2017.

## SOUTHERN EUROPE

Southern Europe's sales corresponded to 15% of the Group's net sales in 2018. In Southern Europe, Italy and France are the countries where ITAB achieves the highest net sales. Other countries in this area include Spain, Portugal and Greece. The acquisition of La Fortezza in 2016 means that ITAB is one of the major players in this area as well, primarily within the Convenience Goods customer group, although also within Construction and Home Furnishings. With the existing customer base, the potential exists to increase sales within those product areas where volumes are currently low, such as lighting and self-checkout systems. During 2018, sales decreased dramatically in Southern Europe, above all in France, largely due to a realignment of the market from large hypermarkets to smaller convenience stores closer to consumers.

## EASTERN EUROPE

Eastern Europe was responsible for 11% of ITAB's net sales in 2018, with Russia, Poland and the Baltic States being the countries where ITAB has the largest turnover. Other countries in this region include Romania, Slovakia, Croatia, Serbia and Bulgaria.

ITAB is not one of the major players in this region, even though sales to the Russian market have increased in recent years. ITAB's largest customer category in Eastern Europe is Construction and Home Furnishings, followed by Convenience Goods. Sales to Construction and Home Furnishings increased slightly compared to last year, while other customer groups developed on a par with the last year.

**▼ SPORT 2000, NETHERLANDS**
The shop concept can consist of both customised and standard fittings. ITAB has a basic range of fittings for standard requirements, although just as often we supply specially adapted and custom-made shop concepts that reflect the customer's profile. ITAB is responsible for the entire process, from initial sketch to finished shop.

## Rest of the World

The Rest of the World geographic area comprises all countries outside of Europe. The countries where ITAB achieves the highest sales in this area are the USA, China and Argentina. Rest of the World was responsible for 10% of the Group's net sales in 2018.

▶ **STRATEGY: MARKET KNOWLEDGE AND INNOVATIVE CAPABILITY** ITAB will develop new concepts, products and solutions by utilising its extensive market expertise and innovativeness while working closely with its customers.

# MARKET OFFERING DEVELOPED IN LINE WITH RETAIL TRENDS

**Consumer behaviour in respect of shopping has changed in recent years. Digital technology is used before, during and after the purchase. The role of the shop is changing in order to meet rising consumer expectations, and the shop is becoming a place for inspiration, information and service. At the same time, consumers are stipulating higher demands regarding the availability of goods, and they expect choice and simplicity when making purchases. In order to meet market demands, ITAB is working intensively to further improve the shop experience by developing solutions which provide more efficient service, improve customer information and guidance, and choice and control through self-service options.**

## RETAIL CHAINS CHANGING THEIR INVESTMENT PATTERN

Many retail chains are choosing to reduce their total shop area by establishing smaller shops and, occasionally, fewer shops. One clear trend, however, is that the retail chains are tending to invest considerably more in shop equipment and digital products for the shops that remain. This means that the level of investment compared to the available shop area is significantly higher than before, and that shops are spending an ever smaller proportion of their budget on premises costs, choosing instead to invest in shop equipment.

# DEVELOPMENT OF THE CUSTOMER EXPERIENCE

Consumers' expectations of the shop experience continue to rise, and meeting their requirements is essential in attracting them into a store. There is less and less tolerance for run-down stores and inferior shop experiences, including queuing and perceived long waiting times. As a result, the level of the shop environment has been raised, both through refurbishment and new profiling of shop concepts, which makes up a large part of ITAB's operations. ITAB is continuing to develop its offer in order to provide attractive and efficient shop solutions. ITAB aims to deliver coherent and well thought out solutions, where the design of the shop is linked to a seamless online/offline shopping experience in which all the shopper's expectations are met. ITAB has several design centres encompassing considerable expertise regarding the design of current and future shops. This operation is becoming increasingly important for our customers in order to create improved shopping experiences.

**ENDLESS AISLE** means that you can order products that are not in stock, either to the store's collection system or direct to your home.


**PIG & HEN, NETHERLANDS**
A flagship store selling jewellery for men made of rope and steel. While the hand-made, personal bracelet is being produced, the customer can sit down with a cup of coffee and experience the brand. Pig & Hen wanted the store to reflect three important emotions: craftsmanship, an Amsterdam experience and storytelling, bearing in mind that the store's name comes from the old tale stating that sailors tattooed with a pig and a hen on their ankle would never drown.

# EFFECTIVE SHOP SOLUTIONS

The trend of establishing more local stores within the food sector is continuing in Europe, as is the establishment of smaller city stores within various non-food segments, such as DIY (Do-it-yourself stores). This is resulting in an ever-growing demand for effective shop solutions. For most shops, the greatest potential for streamlining exists in the shop's checkout area, also often referred to as the "Checkout Arena".

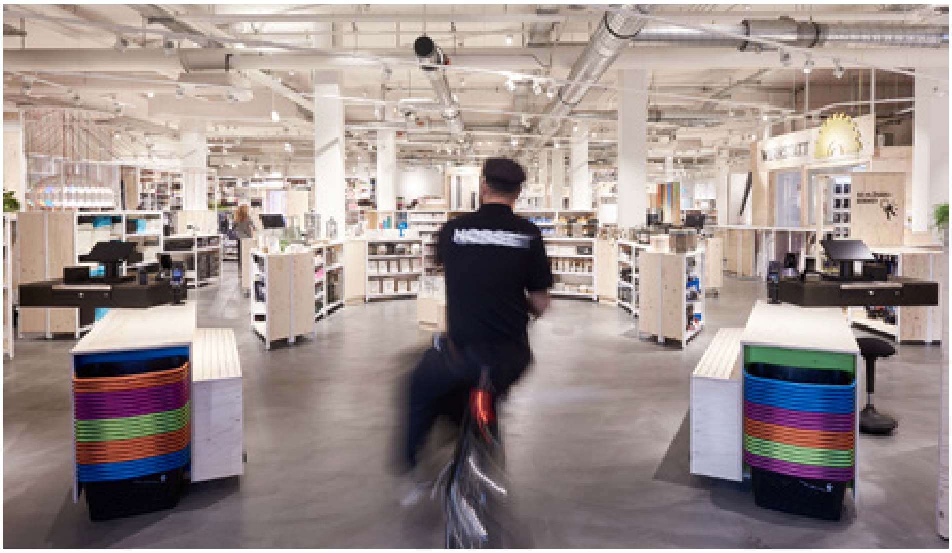
Nowadays, a large proportion of the shop's staff are usually to be found in the Checkout Arena. With self-checkout solutions, these staff members can be released to work instead on more customer and sales oriented activities in the shop. ITAB also offers other products to make shops more effective, such as flexible queue management and entrance systems as well as various digital products (see pages 30-31).


# REFURBISHMENT & RENOVATIONS

A large proportion of ITAB's operations are based on refurbishments and new profiling of retail chains. ITAB considers that this section will become even larger in future. The stores are also demanding more and more technology in-store and more efficient solutions in the checkout arena. In the UK, which ITAB considers to be a market at the forefront of retail change, project-based sales with resulting short lead times are increasingly common. Food stores in particular are choosing to replace and refurbish one department at a time. This must be done with as little impact as possible on other in-store activities. Sales of this type fit in well with ITAB's skills and organisational model, with local, flexible units close to the customer. There are fewer large-scale procurements and work is being conducted more closely with the customer on specific projects. Several of ITAB's customers are choosing to utilise a larger proportion of the offer in order to achieve an all-inclusive solution. ITAB considers that this working method will become increasingly common in more markets in future.

# E-RETAILERS ESTABLISHING PHYSICAL SHOPS

Even though e-commerce has expanded significantly in recent years, the majority of the retail sector's sales in future are expected to take place in the physical shops. One clear trend over the past year is that more and more online companies and e-retailers have realised the importance of having physical shops, for example to optimise the distribution of goods to consumers. This means that e-retailers will have a higher proportion of local shops in future.



Photography: Matthias Hewing for HORST Retail Concepts GmbH

# 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 sustainable choices 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 our companies are 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 minimising 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 increasingly important. ITAB's creative teams take this into consideration from the start of the design and planning phase when developing concepts or products.

▶ **STRATEGY: MARKET KNOWLEDGE AND INNOVATIVE CAPABILITY** ITAB will develop new concepts, products and solutions by utilising its extensive market expertise and innovativeness while working closely with its customers.

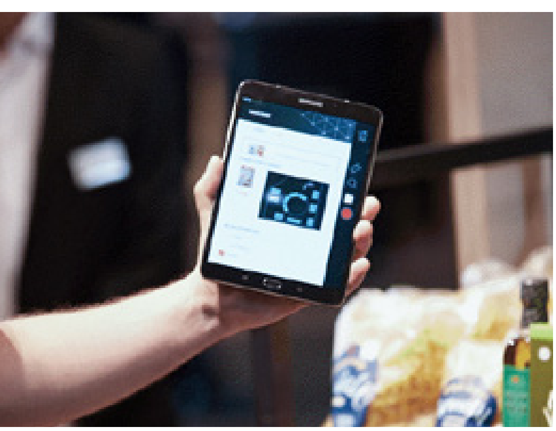
# DIGITAL SOLUTIONS CHANGING THE ROLE OF THE SHOP

▲ **ULF ROSTEDT,** President and CEO of ITAB, presents his view of the shop of the future.

**The boundaries between the digital and the physical are becoming increasingly blurred in a society where most people are connected 24 hours a day. Digital technologies are making it easier to compare, integrate, create and buy, which leads to consumers increasingly demanding more experience-oriented physical shops, according to Ulf Rostedt, President and CEO of ITAB Shop Concept.**

"Online retail may offer convenience and low cost, but it can never offer multi-sensory experience. The shops that succeed in the coming decade will be the ones that understand and deliver the theatre of retail. Experiences in the physical store can be enhanced by the use of relevant digital technology, whether through more engaging product displays and information, self-serve choices, faster service, better informed shop staff, as well as the in-store ambience itself. Digital developments in the physical shop are driving forward our development and sales. We are well ahead in this area in several respects, which is entailing more, larger business opportunities for us," says Ulf Rostedt.

▼ **TARGETED MESSAGES** The shops will identify what you are specifically interested in and will provide more targeted offers, including via digital displays in-store.



With more than 20 years in the sector, Ulf has a great deal of experience and is excited about the developments taking place in the industry today.

Over the past five to six years, we have invested heavily in the digital field in order to develop smart stores that are optimum for both the shop owner and the customer. We have prepared well and are continuing to make progress in our work.

In recent years, ITAB has built up a product portfolio – ITAB@storesolutions – that contains digital solutions for stores. Alongside the traditional products, ITAB@storesolutions means that ITAB is offering complete, all-inclusive solutions for the shops of the future.

## DIGITALISATION'S IMPACT ON THE PHYSICAL SHOP

Digitalisation is also contributing to the retail sector being able to expand its offers, since the product range is no longer governed by restrictions such as shop size. Ulf Rostedt believes it is interesting to highlight why physical shops exist and what they can actually provide.

"There are several reasons why physical shops still represent a very dominant share of the retail sector. In physical shops you can buy many different products in one and the same place, and you can also access the goods immediately without having to wait for delivery.

In addition, physical shops stimulate different senses, such as sight, smell, touch, taste and hearing. For consumers, personal contact as well as having the opportunity to discover and experience new things are all additional reasons. For most people, shopping in a physical shop is a habit that has been established over a long time, and it is how most people choose to shop today. However, this is something we are constantly monitoring in order to keep an eye on new trends and patterns."

Nevertheless, physical shops are being greatly affected by digital developments, for example in respect of the appearance and design of the shops. This applies both inside the shop as well as outside, where parts of the shop have changed their layout in order to make deliveries from the shop more efficient. ITAB now has a complete offer – Click & Collect – which means that the consumer orders goods in-store or online, before collecting their items from an unmanned collection point. The cabinets range from basic variants to advanced solutions for high-capacity robotic warehouses. For the retail sector, variants with refrigeration and freezing options are available. Another exciting product goes by the name of Pick & Go with Airflow. This product has a great deal in common with Amazon's product 'Amazon Go'; when a customer picks up an item from the shop shelf, it is registered directly on our AirFLOW system and payment is then made quickly and easily on their mobile phone when they leave the shop. The system is currently under development, with pilot installations being planned over the next few years.

## EFFECTIVE SHOP SOLUTIONS AND FOCUS ON THE CUSTOMER EXPERIENCE

There is increasing demand for solutions to make shops more efficient. For example, shops often want to be able to get staff who are currently working at the checkouts to work out on the shop floor instead, improving customer communication and support and ensuring shelves are stocked and sales opportunities are captured. As a result, more and more retails chains are currently showing an interest in our various self-checkout solutions. Improving the experience of customers when they visit a shop is the other area that ITAB is prioritising when developing new products, as can be seen from the product portfolio ITAB@storesolutions.

"ITAB wants to be an important partner and all-inclusive supplier for retail chains all over the world. Our aim is to improve our customers' efficiency and at the same time improve the shop experience for consumers by creating efficient and attractive shop concepts that can be connected to other channels, such as mobile and e-commerce," says Ulf Rostedt.


▼ **CLICK & COLLECT** is now available at many locations and means that the consumer orders goods in-store or online, before collecting their order from an unmanned collection point.

# A PRODUCT RANGE TO FIT FUTURE DEMANDS

**The rapid changes taking place within the retail sector are continuing, with the result that shops are becoming more of an experience and meeting place for the consumer.**

Digital developments in the physical shop are driving forward ITAB's progress and sales. ITAB is well ahead in several aspects of digital development, and this is entailing more, larger business opportunities.

ITAB's digital shop concept contains a product portfolio called ITAB@storesolutions.

The product portfolio is based on ITAB being able to offer an all-inclusive concept that includes solutions from the moment the customer enters the shop until the time when the customer checks out and leaves the shop. ITAB@storesolutions includes systems for personal communication, interaction via mobile, and other information and order points in the shop for seamless transactions and payment. We are ready to meet the needs of future shops in terms of customer choice and experience, with many of the solutions already having been developed and new ones in our innovation pipeline.

## CLICK & COLLECT

Click & Collect means that the consumer orders goods in-store or online, before collecting their order from an unmanned collection point. Click & Collect is available for both Convenience goods and the Fashion customer segment. For Convenience goods, there is a temperature-controlled Click & Collect cabinet which is suitable for both dry as well as refrigerated and frozen goods. For Fashion, there is a Click & Collect cabinet that allows the customer to collect or return goods in the shop without having to queue up at the checkout.

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

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

## PICK & GO WITH AIRFLOW

ITAB's next strategic advance in the transition to a shop with the focus on service and experience is called Pick & Go with AirFLOW. Here, the EasyFLOW technology is being moved from the Checkout Arena out into the shop. With AirFLOW, the consumer no longer needs to scan the goods, as they are instead registered automatically when the consumer picks them up from the shelf. AirFLOW as a great deal in common with Amazon's concept AmazonGo. The system is under development and is planned to be launched as a pilot installation in shops over the next few years.


## QUEUE MANAGEMENT

Queue Management System is a digital platform that can improve the customer experience in many ways. The system allows the customer to check in at a shop in order to get the best possible service during their visit. The system also makes it possible for the shop to get rapid feedback by hearing the opinions of customers. In addition, Queue Management System streamlines the queue situations that can arise in a shop. For example, the system can be used to minimise waiting times for the customer by integrating a virtual queue via mobile phone while the customer continues shopping.

## FASHIONFLOW

FashionFLOW is a self-checkout solution intended for shops in the fashion sector. 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 personally scans their goods, deactivates alarms and pays, this offers the potential for self-checkouts in these shops. The system allows more personnel to be released to serve customers out on the shop floor, at the same time as always being open in order to optimise flows and minimise queues.


## ENDLESS AISLE

Endless Aisle is a kind of digital shelf that is mainly targeted at retail outlets that do not stock the entire range in-store. Using the service, it will be possible to order products that are not in stock, either to the shop's collection system or directly to the customer's home. The combination of shopping in store at the same time as being able to order online is becoming increasingly important, especially as many retail chains are choosing to establish smaller shops close to the city centre. Endless Aisle can also be used to show detailed product information and to present the product interactively, where the customer can compare different alternative products side by side.

▶ **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

**In order to operate close to its customers and their markets, ITAB works according to a model where ITAB is an all-inclusive supplier with responsibility for the entire process – from initial concept to ready-made shop. This is done to create and develop long-term business relations. ITAB is working to develop and improve the shop environment for chain-based customers within the retail sector, with the aim of creating a better shop experience for the consumer as well as improving efficiency in the shop.**

ITAB is developing custommade shop concepts and innovative products for chain stores within the retail sector. For several years, ITAB has been strategically developing its concept and product portfolio in order continually to improve its position as an all-inclusive supplier of shop concepts. The aim is always to realise a customer's ideas so that these correspond with the customer's profile and sales strategy. In order to achieve this, there are a number of local design teams and design companies within the Group, although ITAB also works with its customers' own design agencies and with external architects.

The project management is the central function in the working model, working in close collaboration with the customer to develop new concepts, products and solutions. A key factor in managing the project effectively is to ensure that our designs minimise the impact on the environment. Our 'designing out waste' methodology helps ensure that material usage is optimised, packaging, storage and delivery factors are taken into account right from the start, energy consumption is minimised, and products can be re-used or recycled.

New ideas and needs often crop up while working on a shop concept. The co-ordinated project management function ensures that these ideas and needs are identified and then implemented naturally and effectively in existing and future projects. Shop concepts are a vital element in a chain store's profile and brand strategy, and incorporate all types of fittings and equipment designed to display and store goods. The shop concept can consist of both custom-made fittings and standard products. In order always to be able to create shop concepts in line with the customer's wishes, ITAB can offer fully customised fittings as well as specially adapted fitting components that reflect the customer's specific brand profile. Project-based sales of shop fittings mean that there is a need for fast, flexible delivery methods. Development and refurbishment projects constitute an increasingly large part of ITAB's business. Many retail chains often want to replace one department at a time, and for this to be done with as little impact as possible on the rest of the operation. Flexible methods for delivery and install-ation are required, and this is carried out by ITAB's own technicians and certified install-ation teams. Ongoing service and maintenance programmes are managed by ITAB's service teams. ITAB's organisation, with local, flexible units close to the customer, is well equipped for sales of this type.


▲ **ITAB's WORKING 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.

# TRANSITION TO ENERGY-SAVING LIGHTING ACCELERATING

"ITAB develops, manufactures and sells complete professional lighting systems, light planning and light services for the food and non-food sectors."

**Lighting systems have become an increasingly central 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 services for the food and non-food sectors.**

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' design and efficiency has a direct impact on these savings. The amount of heat generated by the systems also affects the cost for ventilation in the shop.

These are 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.

The Group sells and distributes lighting products to more than 90 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

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. ITAB has also developed linear LED products, primarily for the food segment.

ITAB is one of the leading suppliers of professional lighting systems in Europe. The company focuses on modern, energy-saving light sources such as 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. It 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.

► **ITAB IS ONE OF THE LEADING SUPPLIERS** of professional lighting systems in Europe. The company focuses on modern, energy-saving light sources such as SSL and LEDs. Custom-made, specially designed lighting is also a way of improving the shop experience.


PC World

# MAJOR STREAMLINING OPTIONS FOR THE CHECKOUT ARENA

**The term Checkout Arena refers to the area and the products that are associated with checking out from the shop. The correct mix of more efficient equipment and systems delivers higher throughput and better choice and service for the consumer. ITAB develops checkouts, self-checkout solutions as well as entry and exiting systems for retail chains.**

As Europe's leading supplier of checkouts, 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 elements include customer guidance, queue management and a secure exit process. The design and best mix of products and systems can vary between different countries and is also influenced by the shop's size.

## SELF-CHECKOUT SYSTEMS

Self-checkout solutions are an increasingly important part of the Checkout Arena. Interest in new methods for reliable checkout and payment has increased markedly in recent years. 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. The development work has resulted in a 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.

As part of the self-checkout concept, ITAB's fully automatic EasyFlow self-checkout system has been launched. The technology and the method are groundbreaking, as the checkout identifies the item without needing to use its barcode. Even items sold by weight such as fruit and vegetables can be identified. The technology is unique in the market, and is based on a combination of different identification methods.

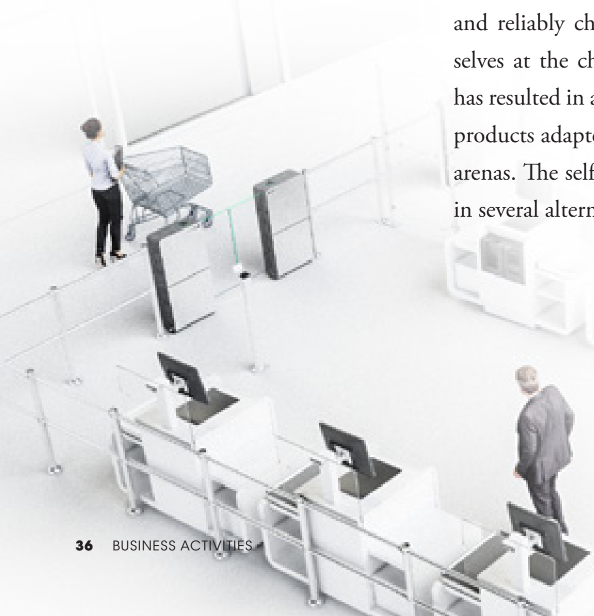
The improvements in efficiency brought about by ITAB self-checkout systems result in significant cost savings and an increased level of service for both large chain stores and smaller convenience stores. They save space in shops, which can provide room for more goods and expand the number of checkouts 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.

## CHECKOUT ARENA

The combination of traditional staffed checkouts and self-checkouts provides the shop with a flexible solution which delivers more choice and is suitable for different customer groups and shopping missions. ITAB's comprehensive range of manned and self-serve checkout systems, together with its solution design expertise, has enabled it to establish a leading position among its competitors.

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 mean that there is a strong likelihood that this will become an industry standard in future.

▼ **THE CHECKOUT ARENA** includes the entire checkout area and is an important part of the shop experience. The correct mix of more efficient equipment and systems delivers higher throughput and makes the checking out process more efficient for the consumer.




▲ **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.

▶ **STRATEGIC DIRECTION: HIGHLY EFFICIENT AND FLEXIBLE PRODUCTION RESOURCES.**
ITAB will use its highly efficient and flexible production resources, well-developed logistics and selected partners to offer the market competitive terms coupled with precise delivery accuracy and quality.

# LOCAL PRODUCTION FOR OPTIMUM LOGISTICS & QUALITY

▶ **ITAB HAS** 18 production facilities in 14 countries. By having its own production units, ITAB can control production and quality and thereby ensure that the agreed delivery times are met.

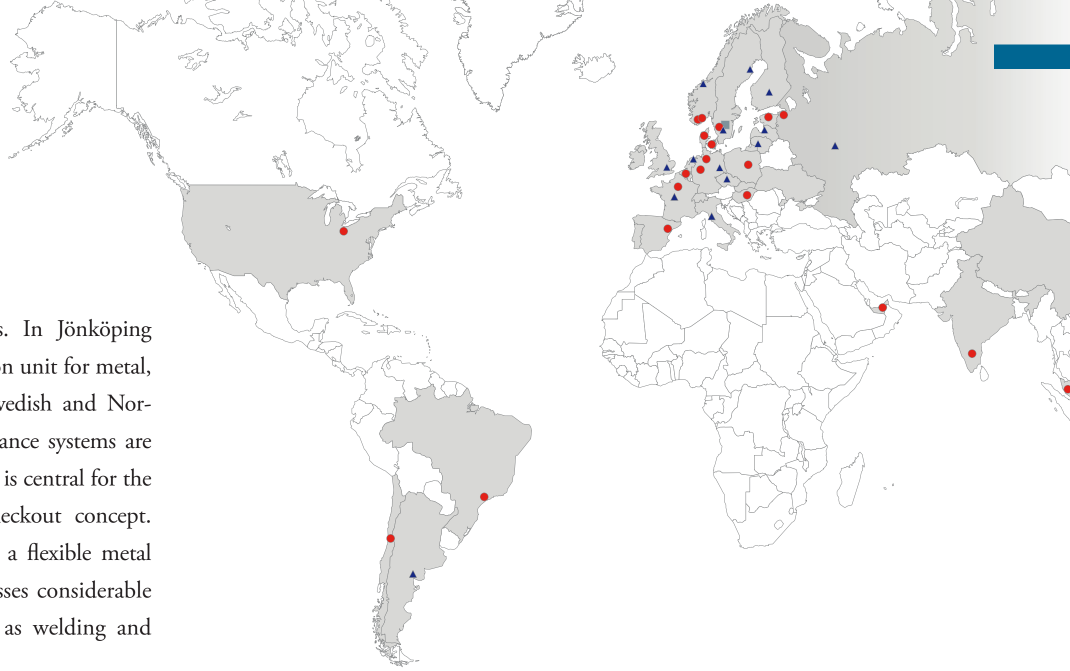
**ITAB has 18 production facilities in 14 countries. By having its own production units, ITAB can control production and quality and thereby ensure that the agreed delivery times are met.**

The largest production facilities are located in Sweden, the UK, Germany, the Czech Republic, China, Italy and France. The units primarily manufacture a focused range of fittings and equipment for the local market. ITAB has also opted to have more, smaller production units in order to be able to offer, as far as possible, the Group's entire product range in all markets while at the same time maintaining efficient logistics. The market is demanding more and more customised solutions, due in part to the trend of more small, local shops being established close to city centres, which is ideal for small, flexible production units. At the same time, customers will be able to make the optimum choice between standard shelf systems and customised solutions designed in-house in wood, acrylic or other materials, and to have these more complex solutions delivered by one and the same supplier. This reduces administration and makes our customers' purchasing and logistics processes more efficient.

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 individual needs of each market area. In this way, ITAB aims to be a long-term partner for our customers, who can benefit from both our global presence and local production.

The official opening of ITAB's newly built production facility in Suzhou, China, was held in October. This facility is making it possible for the Asian market to access ITAB's entire offer. The investment means that the production area in Suzhou is being doubled to around 40,000 m2 and includes the production of metal, wood, acrylic and lighting. The new factory is due to commence production during 2019. A central part of the investment in China is the powder coating facility, which will be the most modern in the Group and the one with the highest capacity. The powder coating line is also circular in respect of waste water. The factory is prepared for solar panels, and other projects are in progress in order to minimise the climate impact.

***Sweden*** **|** In Sweden, ITAB produces and supplies entire shop concepts through the units in Jönköping, Nässjö and Hillerstorp. The Nässjö factory, which conducts timber production, has replaced all of its machinery with a new, modern, automated production line during the year. This entails increased capacity, efficiency and flexibility, which is shortening lead times and reducing stock levels. The facility in Nässjö also boasts a well developed assembly department, offering good



▲ **PRODUCTION FACILITIES.**
ITAB has 18 production facilities in Europe, China and Argentina.

- Market presence
- Head office
- Production & Sales
- Sales offices

potential for large-scale dispatches. In Jönköping there is a flexible, efficient production unit for metal, which manufactures fittings for Swedish and Nordic customers. Checkouts and entrance systems are also manufactured here. The factory is central for the production of the Group's self-checkout concept. MB Shop Design in Hillerstorp is a flexible metal fittings production unit that possesses considerable expertise, above all in areas such as welding and powder coating.

***Finland*** | Jyväskylä's primary production comprises standard systems made of metal, as well as complementary timber production.

***UK*** | Near London, ITAB has one of the most flexible facilities in the Group. It complements the production facilities in Europe that manufacture standard shelf systems. The production is made up of small and medium-sized series of custom-made solutions. The British market stipulates the very highest demands as regards accessibility and short lead times, which ITAB's unit has been adapted to meet. The unit in the UK produces items in both metal and wood.

***Germany*** | The facility in Germany produces checkouts. This unit supplies many of Germany's large chains with custom-made checkout solutions. The facility underwent a period of investment a couple of years ago and can now boast modern machinery and high 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 competitive both as regards standardised high volume and as one of Europe's most flexible checkout suppliers.

***Latvia & Lithuania*** | Customised shop fittings made of wood and composite are produced in Riga. The factory in Kaunas produces metal, wire and pipe products.

***Russia*** | ITAB's Russian factory produces standard fittings, as well as wire products and systems for storage/logistics (Heavy Duty).

***Italy*** | The Italian facility is located in Scarperia and produces metal fittings and checkouts.

***France*** | The French facility is located in Romorantin and produces metal fittings.

***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 the 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. Production is due to commence in the new production facility in Suzhou during 2019. The increased capacity will offer greater potential to deliver to our existing customers in Asia, as well as allowing us to intensively cultivate new customers in the form of local retail chains in the region. In addition to the production facility, there is also a well equipped showroom presenting a large proportion of the Group's product portfolio in China.

***Argentina*** | The production unit in Argentina manufactures standard fittings made of metal. There is also small-scale timber production and the assembly of checkouts.

▶ **AREAS OF FOCUS:** Sustainable business development, efficiency in the value chain, good working conditions and business ethics.

# SUSTAINABILITY FOR ENDURING GROWTH

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

**ITAB's sustainability programme is based on a materiality analysis stemming from the impact that the Group's operations have on the environment, people, the economy and society. The most significant areas for ITAB emerged in consultation with the Group's stakeholders.**

ITAB's stakeholders are those groups that, to varying extents, have the potential to influence, and are influenced by, the Group's operations. For ITAB, it is important to conduct a dialogue with the stakeholders and thereby build a relationship that incorporates the stakeholders' views, expectations and needs. The aim is that this should contribute to sustainable value creation.

ITAB's most important stakeholder groups are:

- Customers
- Employees
- Owners
- Suppliers
- The local community
- Decision-makers

Dialogue with the various stakeholder groups are continually taking place. The main issues and areas raised in these discussions are set out in the presentation below. The sustainability work is governed by what the stakeholders and the company consider to be most important. For this purpose, a materiality analysis is conducted in which the aspects that are most relevant for the Group are weighed against the operations that the company conducts. The materiality analysis includes the impact that the operation has on the economy, society, people and the environment, as well as those aspects that affect the stakeholders' decision-making and their expectations. The materiality analysis that the Group conducted in 2017 still forms the basis for the Group's sustainability work. The areas of

## ITAB's AREAS OF FOCUS WITH SUSTAINABILITY

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

focus that have been identified are: Sustainable business development, Efficiency in the value chain, Good working conditions and Business ethics.

### AREAS OF FOCUS

The most significant aspects of the focus areas are set out below and described in greater detail on the following pages.

Sustainable business development

- Sustainable products
- Systematic internal environmental work
- Climate-smart solutions
- Energy-efficiency (products)

Efficiency in the value chain

- Minimise emissions from transport
- Energy-efficiency (production)
- Review of suppliers
- Collaboration in the value chain

Business ethics

- Code of conduct
- Compliance with laws and ordinances
- Anti-corruption
- Valuation platform

Good working conditions

- Health and safety
- Skills development and career opportunities
- Equality and diversity
- Good conditions in the supplier stage

### REPORTING AND FOLLOWING UP

Reporting how well ITAB's sustainability work is proceeding takes place in line with Global Reporting Initiatives' (GRI) guidelines for sustainability reporting. ITAB has developed a number of Key Performance Indicators for the regular following up of the sustainability work. The development of the programme has continued in 2018, with reporting and following up being performed in a BI system (Business Intelligence system) that has been implemented during the year.

### SUSTAINABILITY RISKS

ITAB is continuing its work on reducing the risks as regards environmental and social issues in the value chain. The assessment of sustainability risks is an important part of the work on the materiality analysis and forms the basis the sustainability programme and the priorities as regards sustainability.

ITAB has operations in a number of markets that are associated with a raised sustainability risk. Issues relating to safety, working conditions and corruption are particularly important from a risk perspective. ITAB handles the risks through the activities in the sustainability programme, with the implementation of ITAB's code of conduct and supplier policy being important tools. Several of ITAB's facilities located in countries associated with a higher risk are covered by audits performed by some of ITAB's major international customers.

## ITAB's MOST SIGNIFICANT AREAS


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

# FOCUS AREA: **SUSTAINABLE BUSINESS DEVELOPMENT**

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

**Sustainable business development means that ITAB, with its concept and product portfolio, is developing the shop solutions of the future through energy and cost-saving products and systems built from sustainable constituent components.**

When a product is designed and developed, the design is adapted in order for the product to be sustainable and energy efficient. The choice of materials for the product is optimised with regard to their impact on the environment, including their durability and recyclability. Product development is usually performed in very close collaboration with the customer, with the focus lying on well thought-through solutions, good function, user-friendliness, ergonomics and efficiency.

The environmental impact of a product is affected to a large extent by the raw materials that are used in the product. ITAB has launched a certification process whereby an independent certification company will check that constituent components are being manufactured and handled in line with a particular standard. See a description of examples of certification work on the next page.

The lighting system that a shop opts for significantly affects the shop's energy and maintenance costs. An increasingly important factor in the case of new construction or refurbishment projects is the level of energy efficiency that is achieved. In this respect, switching to LED systems provides considerable opportunities for energy saving, both in terms of the actual lighting but also as regards ventilation, as less heat is generated by LED lighting and this reduces the cost of ventilation in a shop. ITAB's sales of LEDs have increased dramatically in recent years, and now make up almost 100% of the Group's total lighting sales today.

## 50 PERCENT ENERGY SAVING

**With ITAB's LED lighting range, customers can significantly reduce their energy consumption.**

Today, almost 100% of the Group's lighting sales are made up of LEDs. The LED technology means that energy consumption can be halved compared to earlier technologies.

This means that the investment can pay for itself in around 2-3 years. This in turn produces a return of around 100% for the shop over five years. For a medium-sized shop, this also entails a reduction in its climate footprint of around 9 tonnes of carbon dioxide per year.


## GLOBAL GOALS: SUSTAINABLE BUSINESS DEVELOPMENT

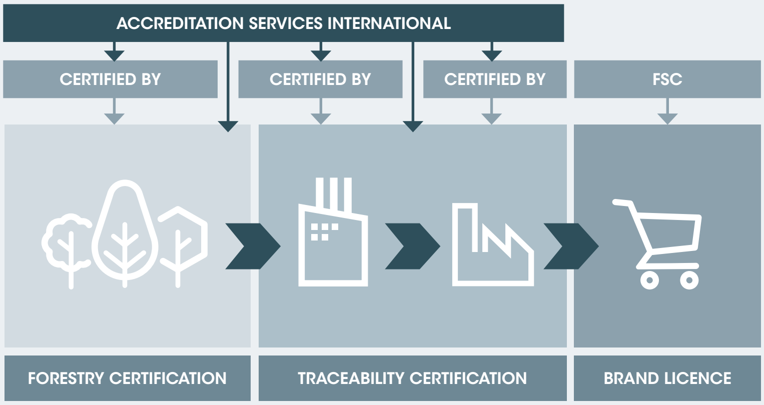
**Goal 13 relates to combating climate change. ITAB's contribution here is principally within the focus area Sustainable business development, where the LED technology plays a major role. Thanks to ITAB's lighting products, above all within LEDs, the Group is contributing to improved energy efficiency and reduced climate impact for its customers.**

## CERTIFICATION OF RAW MATERIALS - ITAB SHOP CONCEPT NÄSSJÖ

**ITAB Shop Concept Nässjö AB is FSC-certified (Forest Stewardship Council).**

The FSC has established standards for forestry and traceability. The FSC's traceability standard includes regulations that should make it possible to trace the timber content from FSC forestry operations throughout the production chain (Chain of Custody). The standard expresses the FSC's minimum requirements for traceability in respect of handling and production. This is done in order for an organisation to be able to demonstrate that its forest-based materials and products, which are purchased, labelled and sold as being FSC-certified, actually come from well-managed forests, controlled sources, recycled materials or a mixture of the above. The FSC certification also shows that any associated claims are legitimate and correct. The actual certification process, i.e. checking compliance with the standards, is performed by independent certification companies. ITAB certifies the operation by using a certification company that is approved by ASI (Accreditation Services International). By using the FSC label, ITAB can both market certified products and demonstrate how the business is taking responsibility for people and the environment – both in the Swedish forest and on the global market.

### TRACEABILITY CHAIN




**ITAB supports the Wildhood Foundation.**

The Wildhood Foundation is a Swedish charity foundation that works to combat poaching and the illegal trade in endangered animal species.

Wildlife trafficking is a global problem and one of the world's largest criminal activities. The trade is driven by a dramatic increase in demand in Asia in recent years, where economic growth has meant that more people are able to and want to buy parts of wild animals as status symbols and for use within traditional medicine.

ITAB is supporting the Wildhood Foundation, for example in a project in Kungsträdgården park in Stockholm. In preparation for this project, which is an event designed to market the Wildhood Foundation, ITAB Shop Concept Nässjö will manufacture and assemble 55 large elephants made of plywood from FSC-certified forest.

WILDHOOD
FOUNDATION

# FOCUS AREA:
# EFFICIENCY IN THE VALUE CHAIN

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

**ITAB will contribute to greater efficiency for the entire value chain through responsible choices of suppliers, raw materials, production processes and transport. For many years, the Group's companies have accepted environmental and social responsibility in order to strive to achieve business operations that are sustainable in the long term.**

## SUSTAINABILITY DEMANDS ON SUPPLIERS

Ensuring sustainability throughout the entire value chain is important for ITAB. This work usually starts by ensuring that the Group's suppliers are conducting their operations in accordance with ITAB's sustainability requirements. For a number of years, ITAB has been working with a supplier policy that applies to the whole Group. This policy describes fundamental requirements that ITAB imposes on its suppliers, and includes demands regarding the suppliers' environmental work. During 2018, around 715 (460) suppliers have been examined in respect of environmental criteria.

## ENERGY-EFFICIENT PRODUCTION

For a production company such as ITAB, it is important to reduce the Group's energy consumption and increase the share of renewable energy. Active work on this is being conducted from both an environmental and a cost perspective. ITAB's production facilities have modern systems for reducing energy consumption and for increasing the efficiency of various resources. The majority of the Group's operations incorporate systems that use renewable energy. The work of reducing energy consumption is conducted by each company within the Group, and the work is coordinated at Group level. At the same time, there is a continual exchange of knowledge with customers, including discussions about aims and expectations in respect of sustainability. Several projects targeting reduced energy consumption are currently in progress. One project aims to reduce heating costs in the Group's powder coating facilities. Measures for achieving this can include the use of circular systems for water supply as well as working with methods that allow reduced heating in the pre-treatment process. Another ongoing project involves replacing all lighting with LED lighting, which entails 30-40% lower energy consumption in respect of lighting.

## TRANSPORT

A significant portion of the Group's indirect emissions stem from transport to and from the production facilities. The Group companies are working actively to reduce emissions and ensure efficient transport operations, with the choice of transport method being taken into account from both a cost and an environmental perspective. In the case of long-distance transport, for example from China to Europe, goods are principally transported by sea and by rail, with airfreight being avoided as far as possible. When ITAB has a local presence, with production facilities close to its customers, this contributes to reduced transport distances to customers. The potential to produce locally in order to minimise the environmental impact of transport operations is a factor that has become increasing important in contract negotiations with customers.

# GLOBAL GOALS: EFFICIENCY IN THE VALUE CHAIN

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

**Goal 12 relates to sustainable consumption and production. As a supplier to the retail sector, ITAB can contribute to improved resource efficiency and better conditions in relation to environmental responsibility and working conditions in the value chains. For ITAB's part, this is mainly taking place within the focus area Efficiency in the value chain, which relates for example to efficiency in respect of energy and material issues along with overall social and environmental responsibility in the value chain.**

## TRANSPORT MANAGEMENT

**During 2018, ITAB drew up a cooperation agreement with a partner within Transport Management.**

This arrangement entails ITAB using a third party, who will act as a "control tower" for freight within the Group. In addition to the agreement leading to greater efficiency in the handling of freight and a more cost-effective solution, ITAB's control over its freight data will also be significantly improved. As a result, there will be more effective following up of measures in respect of factors affecting the environment for various types of freight. For example, $CO_2$ emissions will be able to be measured more accurately, followed up and actions implemented to minimise emissions.


## NEW PRODUCTION FACILITY IN CHINA

**Several of ITAB's customers are expanding across large parts of the world, and ITAB's global presence is becoming even more important.**

The construction of a new production facility in China has been completed during the year. The facility will be taken into operation during 2019 and will primarily supply ITAB's European customers' establishments in Asia and, in the longer term, other customers in the Asian market. The new production facility offers a more flexible solution than is currently available. In the facility, ITAB has decided to focus on getting as close as possible to a circular process for the waste water in the powder coating line. There is considerable focus on waste water discharges in China, and a company like ITAB is not permitted to discharge more than 70 cubic metres per year. ITAB has therefore focused heavily on the process and has developed stages in pretreatment that produce an extremely low level of waste water. The aim in the long term is to achieve a completely circular process. Several of ITAB's customers have also been involved in this process in order to ensure that it is also relevant for them.

# FOCUS AREA: **BUSINESS ETHICS**

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

**Through ITAB's Code of Conduct, all employees have a clear set of regulations for areas such as business ethics. Some aspects of the Code of Conduct have been communicated to ITAB's suppliers in the form of a Group-wide supplier policy. According to the Code of Conduct, ITAB has a zero tolerance policy regarding all forms of bribery and corruption. ITAB regularly reviews and evaluates internal checks in all subsidiaries, which provides reasonable assurance of an appropriate and effective operation, reliable financial reporting and compliance with laws and ordinances.**

The managing director of each individual company within the ITAB Group is responsible for ensuring compliance with local regulations. All of ITAB's employees are covered by the Group-wide Code of Conduct, and everyone also has to sign to confirm that they are complying with the Code. The Code of Conduct 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 is working 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. If an issue relating to business ethics arises at company level, there is a system in place for how employees should report directly to the Group and for how such issues will be handled. By the end of the year, around 90% of the Group's employees had signed up to the Code of Conduct. ITAB's objective is for everyone in the Group to sign the Code. Generally speaking, when a new employee joins one of the Group's companies, it is the responsibility of their immediate superior to ensure that the employee studies and signs up to the Code of Conduct.

No known cases of corruption have been discovered in the Group during the year. ITAB conducts special reviews and training in respect of anti-corruption: in 2018, more than 1,000 of the Group's employees took part in training in respect of anti-corruption, primarily in countries where the Group faces the largest risks.

Since the end of 2017, there has also been a Group-wide supplier policy containing fundamental business ethics requirements that ITAB places on its suppliers.

In order to ensure that ITAB will comply with GDPR in future, GDPR training has been conducted during 2018 for those employees who handle personal data as part of their work.

The wide-ranging valuation project entitled WE ARE ITAB was implemented in 2017. During 2018, using ACT as a platform, the valuation work has been further developed to increase knowledge about the current situation and to prepare the Group for the major changes that the retail sector is experiencing.

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. The internal audit has also been extended to include following up of the sustainability programme and the Code of Conduct.

## GLOBAL GOALS: BUSINESS ETHICS

**The focus area Business ethics contributes mainly to Goal 16, which concentrates on peaceful and inclusive societies and incorporates the work on anti-corruption. Through its Code of Conduct and its new code for suppliers, ITAB can help to strengthen the integrity in its value chain and contribute to a better social climate that is freer from corruption.**

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

## VALUATION WORK IMPORTANT AS THE RETAIL SECTOR IS CHANGING FOR THE WHOLE GROUP

**A wide-ranging valuation project entitled WE ARE ITAB was launched in 2017. This has been conducted in workshops in all the countries where we have operations, and the majority of the Group's employees have taken part.**

**ACT – ITAB's platform for a committed and energetic organisation**

Commitment, responsibility and entrepreneurship are the cornerstones of ITAB's history and development. Every employee and every single action makes a difference. This was the foundation when developing a new valuation platform in 2017. "Creating the ultimate shopping experience, close to you" describes the Group's driving force, contributing to an optimum in-store experience for the consumer, both now and in the future.

Think Ahead, Think Consumer, Think Together are concepts that ITAB's employees use in their day-to-day work as guidance towards common goals. These concepts are summarised in ACT!

Think Ahead refers to ITAB's long-term focus on business, people and the environment, such as thinking carefully first and developing smart, efficient working methods and sustainable solutions.

We are all consumers and we can help to understand the needs of other consumers, to see trends and thereby help our customers create an attractive shop environment. We call this Think Consumer! Working closely together within the Group, as well as creating long-term relations with both customers and partners, are all contained within the concept Think Together.

By focusing on ACT, all employees are helping our customers to deliver a strong consumer experience!

ITAB | Creating the ultimate shopping experience, close to you

# FOCUS AREA: GOOD WORKING CONDITIONS

**ITAB is endeavouring to achieve good working conditions within the companies in the Group, for suppliers and with the customer. The Group respects human rights, which means that ITAB supports, abides by and respects international conventions on human rights in its operations.**

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

ITAB's employees are its principal asset. Attracting, involving and developing these employees represent a decisive factor for the business. 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, for suppliers and with 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 to offering 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 2018.

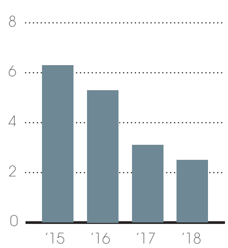
## HEALTH AND SAFETY

ITAB is working to deliver a healthy, safe working environment. As a production company, it is important to minimise 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.

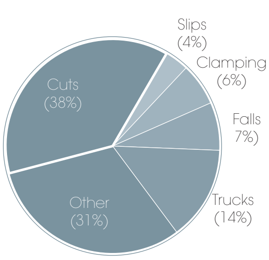
During 2018, the number of accidents fell to 101, compared to 124 in 2017. The most commonly reported injuries were cuts. During 2019, ITAB will continue its work of reviewing the safety procedures for those companies that report a higher number of accidents.

Efforts are being made at a local level to reduce the proportion of sick leave within the company. During 2018, the proportion of sick leave fell to 2.9% (3.3). Sick leave is monitored and measures are implemented in units with higher levels of sickness absence.

▼ **SICKNESS ABSENCE (%)**




▼ **REPORTED ACCIDENTS**




## SKILLS DEVELOPMENT AND CAREER OPPORTUNITIES

Motivation, job satisfaction, commitment and participation are central factors for the Group's employees being able to develop within the ITAB Group, as well as important element in the Group's ability to continue to grow. The potential to build a career and receive further training is decisive when it comes to attracting and retaining employees. Within the ITAB Group, it is the responsibility of each and every manager to ensure that their employees' development and career are in line with the individual's and the company's goals. This is followed up through ongoing performance reviews, for example. Career opportunities can also entail employees being offered positions at sister companies within the Group, thereby promoting skills development. It is possible to attend both internal and external training courses.

ITAB Academy and ITAB Executive Act are two of the initiatives conducted at Group level to develop the skills of employees. The internal training programmes provide 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 and ITAB Executive Act on page 51.

## DISCRIMINATION, DIVERSITY AND EQUAL RIGHTS

ITAB values and endeavours to achieve diversity among its employees. At present, approximately 31% (32) of ITAB's workforce is made up of women and 69% (68) men. The management teams in the Group's subsidiaries comprise round 135 people from 27 countries. Of these, 18% (22) are women and 82% (78) 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 working to try to create a more even gender distribution. This is being done in part by ensuring that female applicants are included in recruitment processes. The Group's Board of Directors comprises approximately 30% women. The Board applies the diversity policy advocated in the Swedish Code of Corporate Governance.

## GOOD CONDITIONS IN THE SUPPLIER STAGE

For ITAB as a manufacturing company, it is important to ensure that consideration is given to various sustainability aspects 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 mainly use suppliers with operations in Europe. ITAB conducts regular dialogue with its most important suppliers about various sustainability aspects.

Each company within ITAB has its own guidelines and policies that regulate the demands placed on suppliers. Since 2017, a new Group-wide supplier policy has also been used. This policy applies to all companies in the Group and establishes fundamental criteria for all of ITAB's suppliers.

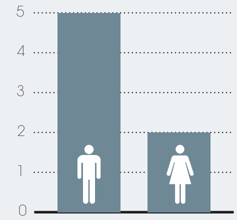
The ITAB Group has around 5,000 suppliers, of which just over 400 were new in 2018. During the year, the Group's companies have examined approximately 715 of their suppliers based on social and environmental criteria.

## GLOBAL GOALS: GOOD WORKING CONDITIONS

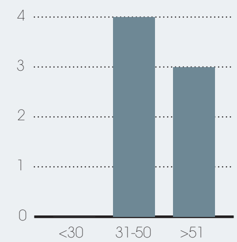
8 DECENT WORK AND ECONOMIC GROWTH

**ITAB can contribute to Goal 8, which relates to decent working conditions and economic growth. Through its responsibility in the value chain, ITAB is able to contribute to improved working conditions in the markets where the Group has operations and where its rapid growth is creating new job opportunities with a good working environment. For example, this is taking place in the area of Good working conditions, which handles issues such as the working environment, health and safety.**

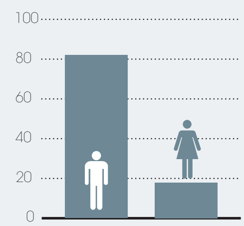
### GROUP BOARD – GENDER



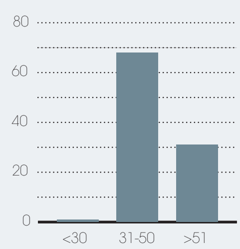

### GROUP BOARD – AGE




### NUMBER OF EMPLOYEES MANAGEMENT (%)




### MANAGEMENT – AGE

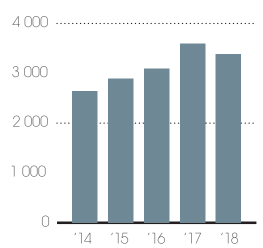


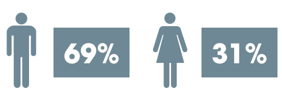
▶ **STRATEGIC DIRECTION: EXPERTISE, COMMITMENT AND BUSINESS ACUMEN**

Through the expertise, commitment and business acumen that characterise the Group, ITAB aims to instil trust and confidence in each and every customer.

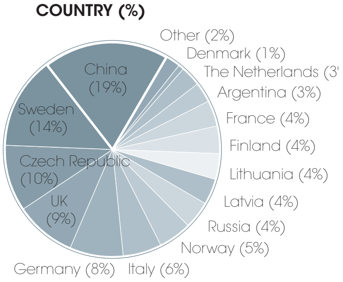
# DEDICATION AND MOMENTUM IN THE ENTIRE GROUP

▼ **AVERAGE NUMBER OF EMPLOYEES**




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




**The ongoing streamlining programmes meant that the number of employees fell during 2018. Viewed over a longer period, ITAB has expanded dramatically in recent years and the number of employees has increased in line with this expansion. ITAB's internal knowledge programme is still very important when it comes to enhancing awareness about the Group's strategy, culture, organisational structure and work process.**

## THE GROUP'S EMPLOYEES

The Group's streamlining programme, which is the result of a reduced rate of turnover, includes both the shutting down and merging of operations in several locations. Skills exchanges and changes to the sales organisation have also been implemented. The programme also entails staff cuts amounting to around 400 people, of whom around half are in Asia and the other half in Europe.

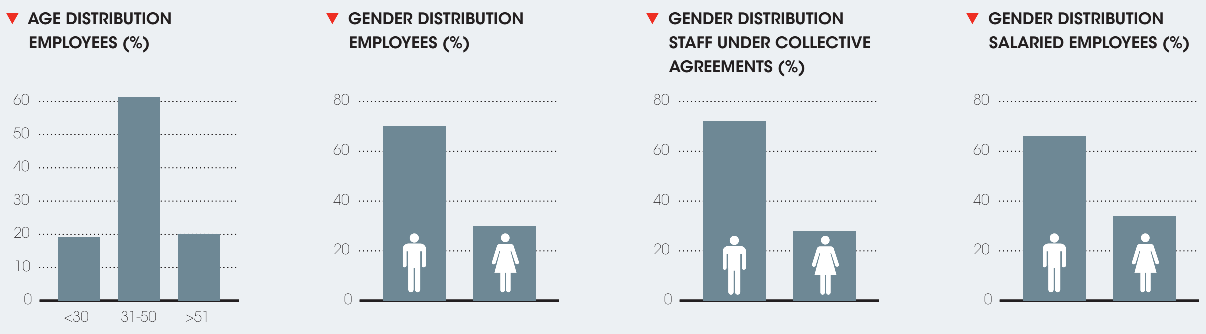
Despite the downturn in 2018, the number of employees in the Group has increased by around 50% over the past five years, in line with ITAB's strong growth. The average number of employees amounted to 3,384 during 2018.

Most of the Group's employees work in China, Sweden, the Czech Republic, the UK and Germany, with around 60% of the total number of employees in the Group being employed in one of these countries. Staff turnover during the year has been 14% (15). The Group's staff turnover has been affected by the streamlining programme, principally in China. As before, staff turnover is higher in the Baltic States and China, largely due to these countries having different forms of employment than others.

Approximately 31% (32) of the employees in the Group are women. Around 19% (22) of the Group's employees are below the age of 30, while 61% (59) are between the ages of 31 and 50.

## RECRUITMENT AND CAREERS

Attracting and recruiting new talents is an increasingly important issue for the Group, as ITAB is in the process of becoming a more strategic partner for its customers and its offering contains more complex technical solutions. The correct skills and the ability to renew working methods are important characteristics, as are the desire to participate and high levels of energy. The marketing of ITAB as an employer is important, which is why the Group has developed a platform during the year for strengthening ITAB as an employer brand. A new recruitment tool has also been developed during the year, which provides support for recruiting managers in conjunction with every single recruitment. For example, this can apply to correct processing in line with local legislation as well as the goal of increasing diversity in the Group.




CONVERTIBLE DEBENTURE SCHEMES FOR GROUP EMPLOYEES

In order to further increase commitment and provide the Group's employees with the potential to share in ITAB's development, the employees have been offered the opportunity to take part in convertible debenture schemes on a number of occasions since the company was first listed on the stock exchange in 2004. At the end of the term of a convertible debenture scheme, the employees can convert their convertibles into shares at a value calculated at the start of the scheme. A convertible debenture scheme was concluded during 2018. Another convertible debenture scheme is currently running, and will conclude in 2020. Read more on page 13.

STAFF DEVELOPMENT

ITAB's internal training programme, ITAB Academy, is important when it comes to attracting and retaining employees. The participants, who come from the majority of companies in the Group, are given the opportunity to develop in the fields of management and business acumen. The programme is also intended to increase knowledge about ITAB and to facilitate collaborations between the Group's companies on the basis of ITAB's decentralised organisational model.

ITAB's Group management tailors the programme on each occasion alongside professional organisational developers.

A number of ITAB Academy programmes have been implemented in recent years, and the latest programme, which comprised 24 employees from 13 countries, was concluded in 2018.

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. Part of this programme during the year has comprised a project in which the groups are working to develop new ideas linked to ITAB's four areas of focus in the sustainability programme. Each group contains people from different countries with difference experience and knowledge.

The leadership programme ITAB Executive ACT, which is aimed at CEOs in the Group's companies, was introduced in 2018. The programme is targeted at the Group's altered circumstances in respect of the major changes taking place in the retail sector, and aims to develop leadership in relation to ACT through training and coaching.

**ITAB ACADEMY** meets at several locations around the Group in the course of a year. The picture show the participants in this year's programme, along with the Group management, at ITAB Academy's graduation day in Bologna, Italy.

*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.*

# FINANCIAL INFORMATION



## DEFINITIONS

**Share of risk-bearing capital**
Equity plus provisions for deferred tax liabilities as well as convertible debenture loans in relation to total capital.

**Return on equity**
The net profit for the 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 borrowing costs in relation to average balance sheet total minus non interest-bearing liabilities.

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

**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.

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

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

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

**Average number of employees**
Number of worked hours divided by normal annual working time.

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

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

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

**Interest coverage ratio**
Income after financial items plus financial interest expenses in relation to financial borrowing costs.

**Operating margin**
Operating profit in relation to net sales.

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

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

## RECONCILIATION OF PERFORMANCE MEASURES

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

### ▼ Share of risk-bearing capital

*Share of risk-bearing capital is a measure that the Group views as important for creditors who want to be able to understand the Group's long-term payment capacity and they are included in covenants that ITAB has in its loan contracts with the company's banks. The measure is also included in ITAB's financial targets.*

| (SEK millions) | 2018 | 2017 |
|---|---|---|
| Equity attributable to Parent Company's shareholders | 1,598 | 1,664 |
| Equity related to non controlling interests | 128 | 120 |
| Provision for deferred tax liabilities | 54 | 72 |
| Convertible debenture loan | 162 | 188 |
| Risk-bearing capital | 1,942 | 2,044 |
| | | |
| Total capital | 5,364 | 5,657 |
| **SHARE OF RISK-BEARING CAPITAL, %** | **36.2** | **36.1** |

### ▼ Return on equity

*This measure shows how the ITAB Group has invested the shareholders' capital and is one of ITAB's financial targets.*

| (SEK millions) | 2018 | 2017 |
|---|---|---|
| Net profit for the year attributable to Parent Company's shareholders | 90 | 319 |
| Equity attributable to Parent Company's shareholders | 1,598 | 1,664 |
| Average*) equity attributable to Parent Company's shareholders | 1,670 | 1,553 |
| **RETURN ON EQUITY, %** | **5.4** | **20.5** |

### ▼ Return on capital employed

*This measure is used to show the return from the company's operations.*

| (SEK millions) | 2018 | 2017 |
|---|---|---|
| Profit for the year after financial items plus financial borrowing costs | 236 | 495 |
| Average*) balance sheet total minus non interest-bearing liabilities | 4,269 | 3,987 |
| **RETURN ON CAPITAL EMPLOYED, %** | **5.5** | **12.4** |

### ▼ Return on total capital

*This measure is used to show the return on total assets.*

| (SEK millions) | 2018 | 2017 |
|---|---|---|
| Profit for the year after financial items plus financial borrowing costs | 236 | 495 |
| Average*) total capital. | 5,687 | 5,496 |
| **RETURN ON TOTAL CAPITAL, %** | **4.1** | **9.0** |

### ▼ Interest-bearing net debt

*Interest-bearing net debt is the most relevant measure for showing total debt financing, and is included in covenants that ITAB has in its loan contracts with the company's banks.*

| (SEK millions) | 2018 | 2017 |
|---|---|---|
| Interest-bearing non-current liabilities | 1,651 | 1,486 |
| Interest-bearing current liabilities | 727 | 929 |
| Interest-bearing assets | -3 | 0 |
| Cash and cash equivalents | -271 | -285 |
| **INTEREST-BEARING NET DEBT** | **2,104** | **2,130** |

**) Average is calculated as the average of opening balance and the relevant reported quarterly data up until the closing period.*
*In other words, 2018 is calculated as (31 December 2017 + March 2018 + June 2018 + September 2018 + December 2018) divided by 5.*

# 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 2018 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, professional lighting systems and digital solutions for the physical shop. 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, Hong Kong, 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**

During the year, sales decreased by 5% compared to last year, while currency-adjusted sales decreased by 8%. As a result of the declining sales trend, a streamlining programme was launched in 2018. The implementation of the programme resulted in significant costs at the end of the year. A series of marketing activities have been conducted during the year in the form of product development and sales initiatives. These have been intended to strengthen ITAB's position in the shops of the future, and have resulted in increased sales costs in the short-term.

Sales to our largest customer group, Convenience goods, fell by approximately 4% compared to the previous year, a decline that is principally attributable to the UK and Southern Europe. The customer group Construction and home furnishings achieved sales on a par with the previous year, whereas the Fashion customer group declined by approximately 10%, principally in Northern Europe. Sales within Other customer groups fell by around 11%, mainly within sport, industry and electronics. There is growing interest in the part of our offer that is primarily driving the digital transformation in stores, such as Click & Collect and Endless Aisle. Sales of digital products, including self-checkout solutions, amounted to approximately SEK 200 million in 2018, which was an increase of around 40% compared to the previous year.

**NET SALES AND PROFIT**

Net sales amounted to SEK 6,031 million (6,381) during the year, which is a decrease of 5%. Currency-adjusted sales fell by 8%. Operating profit fell by 54% to SEK 230 million (500). Operating profit, excl. non-recurring items amounting to SEK -8 million (35), fell by 49% to SEK 238 million (465). Profit after financial items fell by 64% to SEK 157 million (432). Profit after financial items, excl. non-recurring items amounting to SEK -14 million (35), fell by 57% to SEK 171 million (397).

The ongoing streamlining programme has impacted profit after financial items by SEK 63 million in costs, in the form of costs associated with termination of employment, close-down costs, etc. In addition to this, the programme has initially entailed reduced efficiency, which has had a negative impact on profit. Profit includes the sale of a pro-perty and structuring work in Belgium, which have had a positive impact on profit amounting to SEK 15 million net. Negotiations have taken place regarding the additional purchase sums for La Fortezza and the D. Lindner companies, which have had a positive impact on profit of SEK 34 million.

In 2017, profits were impacted by SEK 45 million due to the revaluation of the additional purchase sum in conjunction with the acquisition of La Fortezza, and structural costs were impacted by almost SEK 10 million.

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

**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. During the year, sales and profits have deviated from the normal pattern. 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 500 million (190) during the year. The net debt was SEK 2,104 million (2,130). The additional purchase sum for the acquisition of La Fortezza has been charged to net debt at SEK 140 million. The Group's cash and cash equivalents, including undrawn committed credit facilities, amounted to SEK 860 million (929) on the closing day.

**INVESTMENTS**

Consolidated net investments amounted to SEK 242 million (295), of which SEK 142 million (101) can be attributed to corporate transactions during the period. For more information about corporate transactions, see Note 5. A property in Belgium has been sold during 2018.

**SHARE DATA**

Earnings per share amounted to SEK 0.88 (3.11) before dilution, and SEK 0.88 (3.09) after dilution. Equity per share amounted to SEK 15.61 (16.26). The share of risk-bearing capital at the end of the period was 36.2 per cent (36.1). See also pages 10-13.

**EMPLOYEES**

The average number of employees during the year amounted to 3,384 (3,599). 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 48 million (74) and relate to income from subsidiaries. Profit after financial items amounted to SEK 128 million (285) and includes dividends from subsidiaries totalling SEK 370 million (362), as well as the impairment of shares and receivables from subsidiaries amounting to SEK 99 million (16) in conjunction with the restructuring operations that are being carried out.

Net investments amounted to SEK 143 million (52), of which SEK 141 million (49) can be attributed to corporate transactions.

**IMPORTANT EVENTS AND ACQUISITIONS**

- Streamlining programme and restructuring being implemented, with the aim of managing the change in the retail sector and the effects of reduced sales. The programme impacted profit after financial items by SEK -63 million during 2018.
- The sale of a property and structuring work in Belgium, as well as altered purchase sums for acquisitions, had a positive net impact on profit after financial items amounting to SEK 49 million in 2018.
- Agreement with Coop Spain regarding digital systems and with DollarStore Sverige regarding shop concepts.

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

Ulf Rostedt, President and CEO of ITAB, has decided at his own request to leave his position at ITAB. Ulf will remain in place until a successor has taken up the position. Ulf Rostedt is focusing his remaining time on the restructuring programme that is in progress, before then handing over to his successor.

## 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.

The total number of shares in the company 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 is 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 17.24 per cent of the capital and 52.61 per cent of the votes. Pomonagruppen holds 29.82 per cent of the capital and 29.43 per cent of the votes. The number of shareholders at closing day was 4,351 (4,293). 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 is proposing to the 2019 Annual General Meeting that no dividend should be paid for the 2018 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 and customers

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. With large, established chains as customers, ITAB may be affected to some extent by increases or decreases in a customer's investment programmes, as the volumes are substantial. It can be difficult to compensate for this in the short term, either in the case of an increase or a decrease in the investment programmes.

### 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 18 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 stoppage in production 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 drawn 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 38-39.

### 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 service level are required.

### 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. For 2018, ITAB has prepared a report regarding its sustainability work with the support of GRI's guidelines. More information can be found on pages 40-49 and 98-99.

## 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 as well as digital solutions for the physical shop. During 2018, SEK 18million (18) was capitalised as development charges and is recognised as an intangible asset. Depreciation of development costs totalling SEK 15 million (15) 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 95.

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

During the 2018 financial year, the Board held seven ordinary meetings and one extraordinary meeting. 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. The company's auditor participates in at least one of the Board's meetings every year, during which 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 2018 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Stig-Olof Simonsson. Prior to the 2019 AGM, the Nomination Committee has held one minuted meeting to date. In addition, the Nomination Committee has a number of contacts.

**AGREEMENTS**

There are no agreements between the company and the members of the Board of Directors, apart from agreements relating to Board assignments.

**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 92-95.

**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 make such decisions on one or more occasions for execution before the 2019 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 if 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.

**CONVERTIBLE DEBENTURES, KV4B 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 over-subscribed, and the allocation totalled 602,004 convertibles.

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

**CONVERTIBLE 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 i ssue 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 per cent 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 changes in the sector mean that the market is difficult to judge and extremely volatile in the short term. We are monitoring market trends carefully and maintaining a high tempo in our streamlining and capital rationalisation programmes. At the same time, we are focusing heavily on winning new customers by marketing our all-inclusive offer even more clearly towards both existing customer categories as well as new, closely related customer groups. All of these measures are intended to manage a more volatile and changing market in the short term, as well as to strengthen ITAB's market position in the long term. The market is changing, but bearing in mind the restructuring work we are implementing on the sales and marketing side, as well as the fact that our streamlining programme is developing according to plan, we are looking forward to 2019 with confidence.

## PROPOSED ALLOCATION OF PROFITS

| **PARENT COMPANY** | **2018** |
|---|---|
| *The following funds are at the disposal of the Annual General Meeting: (SEK)* | |
| Share premium reserve | 310,155,670 |
| Profit brought forward | 398,216,166 |
| Net profit for the year | 187,861,569 |
| **TOTAL** | **896,233,405** |

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

| | |
|---|---|
| To be carried forward to a new account | 896,233,405 |
| **TOTAL** | **896,233,405** |

# FINANCIAL REVIEW – FIVE YEARS IN SUMMARY

| Income statements (SEK millions) | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 6,031 | 6,381 | 5,417 | 5,193 | 3,938 |
| Cost of goods sold | -4,423 | -4,552 | -3,923 | -3,729 | -2,827 |
| **GROSS PROFIT [1]** | **1,608** | **1,829** | **1,494** | **1,464** | **1,111** |
| Selling expenses | -1,140 | -1,071 | -861 | -757 | -595 |
| Administrating expenses | -294 | -305 | -255 | -221 | -207 |
| Other operating income and expenses | 56 | 47 | -7 | 22 | 16 |
| **OPERATING PROFIT [1]** | **230** | **500** | **371** | **508** | **325** |
| Financial items | -73 | -68 | -10 | -32 | -37 |
| **PROFIT AFTER FINANCIAL ITEMS [1]** | **157** | **432** | **361** | **476** | **288** |
| Tax on the year's income | -60 | -103 | -101 | -102 | -70 |
| **NET PROFIT FOR THE YEAR** | **97** | **329** | **260** | **374** | **218** |
| *Related to:* | | | | | |
| Parent Company shareholders | 90 | 319 | 241 | 350 | 204 |
| Non controlling interests | 7 | 10 | 19 | 24 | 14 |

*[1] For more information about non-recurring items, see the tables on page 58.*

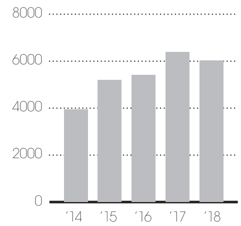
| Balance sheets (SEK millions) | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Intangible assets | 1,807 | 1,752 | 1,597 | 755 | 677 |
| Property, plant and equipment | 939 | 945 | 865 | 549 | 546 |
| Other non-current assets | 109 | 113 | 107 | 48 | 49 |
| **NON-CURRENT ASSETS** | **2,855** | **2,810** | **2,569** | **1,352** | **1,272** |
| Inventory | 1,019 | 1,174 | 1,036 | 859 | 821 |
| Current receivables | 1,219 | 1,388 | 1,306 | 844 | 826 |
| Cash and cash equivalents | 271 | 285 | 404 | 258 | 124 |
| **CURRENT ASSETS** | **2,509** | **2,847** | **2,746** | **1,961** | **1,771** |
| **TOTAL ASSETS** | **5,364** | **5,657** | **5,315** | **3,313** | **3,043** |
| *Equity and liabilities* | | | | | |
| Equity attributable to Parent Company's shareholders | 1,598 | 1,664 | 1,512 | 1,463 | 1,225 |
| Non controlling interests | 128 | 120 | 122 | 83 | 63 |
| Deferred tax liabilities | 54 | 72 | 77 | 52 | 49 |
| Convertible debenture loan | 162 | 188 | 185 | 69 | 69 |
| Other non-current liabilities | 1,550 | 1,399 | 1,083 | 164 | 126 |
| Other current liabilities | 1,872 | 2,214 | 2,336 | 1,482 | 1,511 |
| **TOTAL EQUITY AND LIABILITIES** | **5,364** | **5,657** | **5,315** | **3,313** | **3,043** |

| Cash flow (SEK millions) | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Cash flow before change in working capital | 163 | 343 | 378 | 465 | 258 |
| Change in working capital | 337 | -153 | 18 | -54 | 19 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **500** | **190** | **396** | **411** | **277** |
| Cash flow from investing activities | -242 | -295 | -919 | -166 | -172 |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | **258** | **-105** | **-523** | **245** | **105** |
| Cash flow from financing activities | -280 | 3 | 653 | -109 | -148 |
| **CASH FLOW FOR THE YEAR** | **-22** | **-102** | **130** | **136** | **-43** |

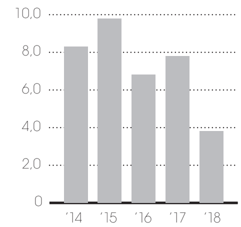
| Key ratios | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Operating margin, % | 3.8 | 7.8 | 6.8 | 9.8 | 8.3 |
| Profit margin, % | 2.6 | 6.8 | 6.7 | 9.2 | 7.3 |
| Interest-coverage ratio, multiple | 3.0 | 7.8 | 10.5 | 16.6 | 9.9 |
| Equity related to the Parent Company's shareholders, SEK millions | 1,598 | 1,664 | 1,512 | 1,463 | 1,225 |
| Equity, SEK millions | 1,726 | 1,784 | 1,634 | 1,546 | 1,288 |
| Risk-bearing capital, SEK millions | 1,942 | 2,044 | 1,896 | 1,667 | 1,406 |
| Interest-bearing net debt, SEK millions | 2,104 | 2,130 | 1,722 | 721 | 880 |
| Balance sheet total, SEK millions | 5,364 | 5,657 | 5,315 | 3,313 | 3,043 |
| Equity/assets ratio, % | 32.2 | 31.5 | 30.7 | 46.7 | 42.3 |
| Share of risk-bearing capital, % | 36.2 | 36.1 | 35.7 | 50.3 | 46.2 |
| Return on equity, % | 5.4 | 20.5 | 16.5 | 26.2 | 18.8 |
| Return on capital employed, % | 5.5 | 12.4 | 13.6 | 20.0 | 14.7 |
| Return on total capital, % | 4.1 | 9.0 | 10.2 | 15.0 | 11.3 |
| Depreciation according to plan, SEK millions | 142 | 139 | 111 | 88 | 83 |
| Net investments excl. business acquisitions, SEK millions | 100 | 194 | 182 | 110 | 80 |
| Net investments attributable to corporate transactions, SEK millions | 142 | 101 | 737 | 56 | 92 |
| Net investments, SEK millions | 242 | 295 | 919 | 166 | 172 |
| Average number of employees, no. | 3,384 | 3,599 | 3,097 | 2,829 | 2,441 |

*As from 2018, the Group is following new principles for revenue and financial instruments. Comparison years have not been recalculated, but do not have any significant impact. Definitions, see page 52.*

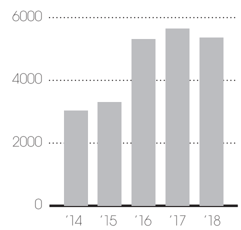
**▼ NET SALES (SEK millions)**



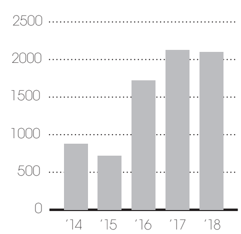

**▼ OPERATING MARGIN (%)**




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

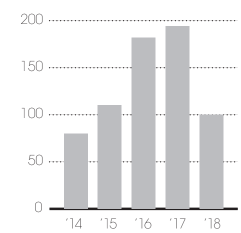



**▼ INTEREST-BEARING NET DEBT (SEK millions)**




**▼ INVESTMENTS (SEK millions)**

*excl. business acquisitions*



# COMMENTS ON FIVE YEARS IN SUMMARY

**NET SALES**

During the period 2014-2018, ITAB's net sales increased from SEK 3938 million to SEK 6031 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 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 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 and Eastern Europe recorded increased sales, while Scandinavia and the UK were on a par with the previous year. Lighting did not develop quite as well.

In 2017, net sales grew by SEK 964 million, an increase of 18%. Currency-adjusted sales rose by 17%. The majority of the growth can be attributed to the acquisitions of La Fortezza, which was acquired in October 2016, as well as D&L Lichtplanung and D. Lindner Lichttechhnische in Germany, both of which were acquired in July 2017. Sales increased in all market areas apart from Scandinavia, where, above all, sales of lighting were lower compared to the previous year.

In 2018, net sales decreased by SEK 350 million, a fall of 5%. Currency-adjusted sales fell by 8%. The majority of the reduction in sales can be attributed to the UK and Southern Europe. Northern Europe and the Rest of the world also decreased, while Central Europe and Eastern Europe recorded increased sales. Among the customer groups, the majority of the reduction in sales took place within Fashion and Other customer groups. Convenience goods also fell slightly, while Construction and home furnishings achieved an increase in sales.

**PROFITABILITY**

Operating profit during the five-year period varied between a minimum of SEK 230 million (2018) and a maximum of SEK 508 million (2015). The five-year period's operating margin has swung between 3.8% and 9.8%. Income after net financial items reached between SEK 157 million (2018) and SEK 476 million (2015). The five-year period's profit margin has swung between 2.6% and 9.2%.

During 2014, the operating margin improved to 8.3% compared to 6.9%. The reason for this is a 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 amounting to SEK 95 million. 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. In 2017, the operating margin improved to 7.8%. This improvement was due to a continued strong gross margin and a positive net effect in respect of the revaluation of the additional purchase sum as well as structural costs. Profits were affected by increased resources for product development and efforts aimed at meeting the rapid developments within the retail sector. In addition, profit was adversely affected by a number of major customers in Scandinavia cutting back their investment programmes, principally within lighting. In 2018, the operating margin fell to 3.8%. Profit was adversely affected by lower sales, above all in the UK and Southern Europe. In addition, profit was affected by restructuring costs in connection with the launch of an extensive, Group-wide streamlining programme. Final negotiations of the additional purchase sum as well as property sales had a positive impact on profit.

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

**INVESTMENTS**

Net investments during the period 2014-2018, 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. During 2017 and 2018, the Group invested in a large production facility with the aim of ensuring sustainable and efficient distribution primarily to European customers' establishments in Asia and, in the long term, to other players in the market as well. As a result, ITAB is well equipped to face the future and the need for investment over the next few years is deemed to be limited. For 2014-2018, 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 focused 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 3,043 million in 2014 to SEK 5,364 million in 2018. The increase is due in part to the corporate acquisitions that have been conducted, as well as to the investments in production premises and production equipment that have been performed during the period. This expansion has taken place with the aid of a positive cash flow from operating activities and bank financing, primarily in respect of the acquisitions in 2016, although also as a result of other acquisitions during the period. The interest-bearing net debt was gradually reduced from SEK 880 million in 2014 to SEK 721 million in 2015, before increasing to SEK 2,104 million in 2018, mainly as a result of the acquisitions during the period.

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%.

| Items that do not belong to regulation operations, known as non-recurring items | 2018 | 2017 | 2016 |
|---|---|---|---|
| Acquisition, integration and restructuring costs | | -10 | -95 |
| Revaluation/settlement, additional purchase sums, acquisitions | 34 | 45 | |
| Streamlining programme | -63 | | |
| Sale of property and restructuring work, Belgium | 15 | | |
| | -14 | 35 | -95 |

| Impact of non-recurring items in the income statement | 2018 | 2017 | 2016 |
|---|---|---|---|
| Gross Profit | -37 | -5 | -61 |
| Operating profit | -8 | 35 | -95 |
| Profit after net financial items | -14 | 35 | -95 |

## INCOME STATEMENT - GROUP

| (SEK millions) | Note | 2018 | 2017 |
|---|---|---|---|
| Revenue from contracts with customers | 6 | 6,031 | 6,381 |
| Cost of goods sold | 8, 9, 10, 11 | -4,423 | -4,552 |
| **GROSS PROFIT** | | **1,608** | **1,829** |
| Selling expenses | 8, 9, 10, 11 | -1,140 | -1,071 |
| Administrating expenses | 8, 9, 10, 11 | -294 | -305 |
| Other operating income | 12 | 91 | 75 |
| Other operating expenses | 12 | -35 | -28 |
| **OPERATING PROFIT** | | **230** | **500** |
| Financial income | 14 | 6 | 3 |
| Financial expenses | 14 | -79 | -71 |
| **PROFIT AFTER FINANCIAL ITEMS** | | **157** | **432** |
| Tax expenses for the year | 16 | -60 | -103 |
| **NET PROFIT FOR THE YEAR** | | **97** | **329** |
| Net Profit for the year related to: | | | |
| Parent Company shareholders | | 90 | 319 |
| Non-controlling interests | | 7 | 10 |
| EARNINGS PER SHARE | 17 | | |
| basic, SEK | | 0.88 | 3.11 |
| diluted, SEK | | 0.88 | 3.09 |

## STATEMENT OF OTHER COMPREHENSIVE INCOME – GROUP

| (SEK millions) | Note | 2018 | 2017 |
|---|---|---|---|
| **NET PROFIT FOR THE YEAR** | | **97** | **329** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified to the income statement:** | | | |
| Revaluation of defined-benefit pension commitments | 29 | 1 | -4 |
| Tax relating to items not to be reclassified | 16 | 0 | 1 |
| | | 1 | -3 |
| **Items that may be reclassified to the income statement:** | | | |
| Translation difference when translating foreign operations | | 13 | 21 |
| Change in fair value of hedges of net investments | | 5 | -10 |
| Change in fair value of cash flow hedges | | -5 | -9 |
| Change in fair value of cash flow hedges transferred to the year’s profit or loss | | 17 | 14 |
| Tax on items that may be reclassified | 16 | -4 | 1 |
| | 25 | 26 | 17 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **27** | **14** |
| **YEAR’S COMPREHENSIVE INCOME** | | **124** | **343** |
| The year’s comprehensive income related to: | | | |
| Parent Company shareholders | | 115 | 336 |
| Non-controlling interests | | 9 | 7 |

# STATEMENT OF FINANCIAL POSITION – GROUP

| (SEK millions) | Note | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | | |
| *Intangible assets* | | | |
| Goodwill | | 1,634 | 1,576 |
| Other intangible assets | | 173 | 176 |
| | 6,10,18 | **1,807** | **1,752** |
| *Property, plant and equipment* | | | |
| Buildings and land | | 460 | 447 |
| Plant and machinery | | 256 | 252 |
| Equipment, tools and installations | | 105 | 110 |
| Construction in progress and advance payments for property, plant and equipment | | 118 | 136 |
| | 6,10,19,22 | **939** | **945** |
| Deferred tax assets | 16 | 102 | 105 |
| Financial non-current assets | 21 | 7 | 8 |
| | | **109** | **113** |
| **TOTAL NON-CURRENT ASSETS** | | **2,855** | **2,810** |
| CURRENT ASSETS | | | |
| Inventory | 23 | 1,019 | 1,174 |
| Accounts receivable | 21 | 945 | 1,154 |
| Current tax assets | | 54 | 54 |
| Derivatives | 21 | 3 | - |
| Other receivables | 21 | 96 | 82 |
| Prepaid expenses and accrued income | 6,21,24 | 121 | 98 |
| Cash and cash equivalents | 21 | 271 | 285 |
| **TOTAL CURRENT ASSETS** | | **2,509** | **2,847** |
| **TOTAL ASSETS** | | **5,364** | **5,657** |
| **EQUITY AND LIABILITIES** | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 43 | 43 |
| Other contributed capital | | 315 | 315 |
| Other reserves | | 9 | -15 |
| Profit brought forward including net profit for the year | | 1,231 | 1,321 |
| Equity attributable to Parent Company's shareholders | | **1,598** | **1,664** |
| Non-controlling interests | | 128 | 120 |
| **TOTAL EQUITY** | 25 | **1,726** | **1,784** |
| NON-CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 21,22 | 1,475 | 1,311 |
| Convertible debenture loan | 21,28 | 162 | 159 |
| Derivative liabilities | 21 | 14 | 17 |
| Other non-current liabilities | 21 | 4 | 16 |
| Provisions for pensions and similar obligations | 29 | 38 | 32 |
| Provision for deferred tax liabilities | 16 | 54 | 72 |
| Other non-current provisions | 30 | 19 | 23 |
| | | **1,766** | **1,630** |
| CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | 21,22 | 368 | 365 |
| Convertible debenture loan | 21,28 | - | 29 |
| Overdraft facilities | 21,27 | 358 | 523 |
| Derivative liabilities | 21 | 1 | 11 |
| Advance payments from customers | 6,21 | 24 | 11 |
| Accounts payable | 21 | 619 | 676 |
| Current tax liabilities | | 40 | 51 |
| Other liabilities | 21 | 112 | 274 |
| Accrued expenses and prepaid income | 6,21,31 | 343 | 295 |
| Current provisions | 30 | 7 | 8 |
| | | **1,872** | **2,243** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,364** | **5,657** |

## STATEMENT OF CHANGES IN EQUITY – GROUP

| (SEK millions) | Share capital | Other con-trib-uted capital | Other reserves (See Note 25) | Profit brought forward | Attributable to Parent Company's shareholders | Attributableto non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY 1 JAN 2017** | **43** | **315** | **-35** | **1,189** | **1,512** | **122** | **1,634** |
| Net profit for the year | | | | 319 | 319 | 10 | 329 |
| Revaluation of defined-benefit pension commitments | | | | -3 | -3 | | -3 |
| Translation difference, foreign operations | | | 24 | | 24 | -3 | 21 |
| Hedging of net investment | | | -8 | | -8 | | -8 |
| Hedging of cash flow | | | 4 | | 4 | | 4 |
| **YEAR'S COMPREHENSIVE INCOME** | | | **20** | **316** | **336** | **7** | **343** |
| Dividends | | | | -179 | -179 | 0 | -179 |
| Acquisition of non-controlling interests | | | | -5 | -5 | -9 | -14 |
| **SHAREHOLDERS´ EQUITY 31 DECEMBER 2017** | **43** | **315** | **-15** | **1,321** | **1,664** | **120** | **1,784** |
| Net profit for the year | | | | 90 | 90 | 7 | 97 |
| Revaluation of defined-benefit pension commitments | | | | 1 | 1 | | 1 |
| Translation difference, foreign operations | | | 11 | | 11 | 2 | 13 |
| Hedging of net investment | | | 4 | | 4 | | 4 |
| Hedging of cash flow | | | 9 | | 9 | | 9 |
| **YEAR'S COMPREHENSIVE INCOME** | | | **24** | **91** | **115** | **9** | **124** |
| Dividends | | | | -179 | -179 | 0 | -179 |
| Acquisition of non-controlling interests | | | | -2 | -2 | -1 | -3 |
| **SHAREHOLDERS´ EQUITY 31 DECEMBER 2018** | **43** | **315** | **9** | **1,231** | **1,598** | **128** | **1,726** |

## STATEMENT OF CASH FLOWS – GROUP

| Indirect method (SEK millions) | Note | 2018 | 2017 |
|---|---|---|---|
| *Operating activities* | | | |
| **OPERATING PROFIT** | | **230** | **500** |
| Adjustment for items not included in the cash flow | | | |
| depreciation and impairment charged to operating profit | 10 | 142 | 139 |
| adjustment for pensions and other provisions | | 0 | -46 |
| profit from acquired operations not affecting cash flow | 5 | -35 | -45 |
| other items | | -16 | -5 |
| **TOTAL** | | **321** | **543** |
| Interest received | | 3 | 3 |
| Interest paid | | -76 | -56 |
| Tax paid | | -85 | -147 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **163** | **343** |
| *Change in working capital* | | | |
| Changes in inventories (increase -/decrease +) | | 178 | -125 |
| Changes in operating receivables (increase -/decrease +) | | 202 | -51 |
| Changes in operating liabilities (increase +/decrease -) | | -43 | 23 |
| **Total change in operating capital** | | **337** | **-153** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **500** | **190** |
| *Investing activities* | | | |
| Acquisition of operations/Group companies, effect on cash and cash equivalents | 5 | -2 | -60 |
| Additional considerations paid | 5 | -140 | -41 |
| Purchase of intangible assets | 18 | -21 | -26 |
| Purchase of property, plant and equipment | 19 | -131 | -187 |
| Sale of property, plant and equipment | 19 | 52 | 19 |
| **Cash flow from investing activities** | | **-242** | **-295** |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | | **258** | **-105** |
| *Financing activities* | | | |
| Repayment of convertible debenture loan | | -30 | - |
| Amortised loans | 21 | -166 | -490 |
| New loan raised | 21 | 95 | 672 |
| Paid dividend to shareholders | | -179 | -179 |
| **Cash flow from financing activities** | | **-280** | **4** |
| **CASH FLOW FOR THE YEAR** | | **-22** | **-102** |
| CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR | | 285 | 404 |
| Translation differences on cash and cash equivalents | | 8 | -17 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **271** | **285** |

## INCOME STATEMENT - PARENT COMPANY

| (SEK millions) | Note | 2018 | 2017 |
|---|---|---|---|
| Net sales | 7 | 48 | 74 |
| Cost of goods sold | 7,8,9,11 | -13 | -15 |
| **GROSS PROFIT** | | **35** | **59** |
| Selling expenses | 7,8,9,11 | -28 | -31 |
| Administrating expenses | 7,8,9,10,11 | -33 | -37 |
| Other operating income | 12 | 18 | 15 |
| Other operating expenses | 12 | -17 | -22 |
| **OPERATING PROFIT** | | **-25** | **-16** |
| Income from participations in Group companies | 13 | 370 | 362 |
| Expenses from participations in Group companies | 13 | -99 | -16 |
| Financial income | 14 | 27 | 15 |
| Financial expenses | 14 | -145 | -60 |
| **PROFIT AFTER FINANCIAL ITEMS** | | **128** | **285** |
| Year-end appropriations | 15 | 42 | 61 |
| **PROFIT BEFORE TAX** | | **170** | **346** |
| Tax expenses for the year | 16 | 18 | -2 |
| **NET PROFIT FOR THE YEAR** | | **188** | **344** |

## STATEMENT OF OTHER COMPREHENSIVE INCOME

| (SEK millions) | | |
|---|---|---|
| Net profit for the year | 188 | 344 |
| Other comprehensive income | - | - |
| **YEAR'S COMPREHENSIVE INCOME** | **188** | **344** |

## BALANCE SHEET – PARENT COMPANY

| (SEK millions) | Note | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | | |
| *Property, plant and equipment* | | | |
| Equipment, tools and installations | 10,19 | 9 | 9 |
| *Financial non-current assets* | | | |
| Participations in Group companies | 20 | 2,096 | 2,170 |
| Non-current receivables, Group companies | 21 | 52 | 58 |
| Deferred tax assets | 16 | 32 | 14 |
| **TOTAL NON-CURRENT ASSETS** | | **2,189** | **2,251** |
| CURRENT ASSETS | | | |
| Receivables, Group companies | 21 | 986 | 979 |
| Current tax assets | | 4 | 4 |
| Prepaid expenses and accrued income | 24 | 13 | 19 |
| Cash and bank balance | 21 | 0 | 0 |
| **TOTAL CURRENT ASSETS** | | **1,003** | **1,002** |
| **TOTAL ASSETS** | | **3,192** | **3,253** |
| **EQUITY AND LIABILITIES** | | | |
| SHAREHOLDERS' EQUITY | | | |
| *Restricted equity* | | | |
| Share capital | | 43 | 43 |
| Statutory reserve | | 7 | 7 |
| | | **50** | **50** |
| *Non-restricted equity* | | | |
| Share premium reserve | | 310 | 310 |
| Profit brought forward | | 398 | 233 |
| Net profit for the year | | 188 | 344 |
| | | **896** | **887** |
| **TOTAL EQUITY** | 25,26 | **946** | **937** |
| NON-CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | | 1,385 | 1,197 |
| Liabilities to Group companies | | 1 | 1 |
| Convertible debenture loan | 28 | 162 | 159 |
| | 21 | **1,548** | **1,357** |
| CURRENT LIABILITIES | | | |
| Liabilities to credit institutions | | 260 | 200 |
| Convertible debenture loan | 28 | - | 29 |
| Overdraft facilities | 27 | 380 | 543 |
| Accounts payable | | 3 | 3 |
| Liabilities to Group companies | | 39 | 19 |
| Other liabilities | | 2 | 150 |
| Accrued expenses and prepaid income | 31 | 14 | 15 |
| | 21 | **698** | **959** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,192** | **3,253** |

## 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 2017** | | 43 | 7 | 309 | 100 | 313 | **772** |
| Previous year's profit transferred | | | | 1 | 312 | -313 | **0** |
| Net profit for the year | | | | | | 344 | **344** |
| Paid dividends | | | | | -179 | | **-179** |
| **SHAREHOLDERS'EQUITY 31 DECEMBER 2017** | | 43 | 7 | 310 | 233 | 344 | **937** |
| Previous year's profit transferred | | | | | 344 | -344 | **0** |
| Net profit for the year | | | | | | 188 | **188** |
| Paid dividends | | | | | -179 | | **-179** |
| **SHAREHOLDERS'EQUITY 31 DECEMBER 2018** | 25,26 | 43 | 7 | 310 | 398 | 188 | **946** |

## STATEMENT OF CASH FLOWS – PARENT COMPANY

| (SEK millions) | **Note** | **2018** | **2017** |
|---|---|---|---|
| *Operating activities* | | | |
| **OPERATING PROFIT** | | **-25** | **-16** |
| Adjustment for items not included in the cash flow | | | |
| depreciation charged to operating profit | | 1 | 1 |
| **TOTAL** | | **-24** | **-15** |
| Dividends received from subsidiaries | | 370 | 362 |
| Interest received | | 27 | 16 |
| Interest paid | | -66 | -47 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **307** | **316** |
| *Change in working capital* | | | |
| Changes in operating receivables (increase -/decrease +) | | 7 | 5 |
| Changes in operating liabilities (increase +/decrease -) | | 0 | -5 |
| **Total change in operating capital** | | **7** | **0** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **314** | **316** |
| *Investing activities* | | | |
| Acquisition of subsidiaries | 20 | -141 | -49 |
| Purchase of property, plant and equipment | 19 | -2 | -3 |
| **Cash flow from investing activities** | | **-143** | **-52** |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | | **171** | **264** |
| *Financing activities* | | | |
| Repayment of convertible debenture loan | | -30 | - |
| Amortised loans | | -164 | -366 |
| New loan raised | | 248 | 656 |
| Lending to Group companies | | -88 | -436 |
| Group contributions | 15 | 42 | 61 |
| Paid dividend to shareholders | | -179 | -179 |
| **Cash flow from financing activities** | | **-171** | **-264** |
| **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 25 March 2019.

## 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 STANDARDS AND INTERPRETATIONS 2018**

The company management's assessments of relevant changes to and interpretations of existing standards that have to be applied as from 1 January 2018 are presented below. Other changes are not judged to have any significant impact on the Group's or the Parent Company's financial statements.

**IFRS 9, Financial instruments.** IFRS 9 handles classification, valuation and reporting of financial assets and liabilities and ahead of new regulations for hedge accounting. It is replacing those parts of IAS 39 that handle the classification and valuation of financial instruments, as well as introducing a new impairment model. The full version of IFRS 9 was issued in July 2014 and has been adopted by the EU.

IFRS 9 has been applied by the Group as from 1 January 2018. The Group has not recalculated comparative figures for the 2017 financial year, in accordance with the standard's transitional rules.

The provisions in IFRS 9 regarding classification and valuation of the Group's financial instruments did not affect the Group's financial position at the time of the transition, as the regulations did not entail any change as regards the valuation of the financial instruments included in the Group's balance sheet at this time.

IFRS 9 introduced a new impairment model based on anticipated credit losses, and that gives consideration to prospective information. The impact of the first application of anticipated credit losses has not been significant for the Group. For this reason, no additional reserve has been made at the time of the transition, which is why the reported values for assets that are recognised at accrued cost have not been affected.

**IFRS 15 Revenue from contracts with customers.** IFRS 15 has entailed new demands in respect of the recognition of revenue and replaced IAS 18 Revenue, IAS 11 Construction contracts and other related interpretations. The standard is a combined model for revenue recognition and provides more detailed guidance within many areas that has not previously been evident from the relevant IFRS, including how to report agreements containing several performance obligations and variable pricing. The standard has been adopted by the EU. The Group has chosen to apply the standard from 1 January 2018, prospective transition in accordance with IFRS 15.

The Group's revenue streams have been analysed by company and significant customers on the basis of the standard's five-step model. The Group and the Parent Company have not experienced any material effects from the implementation of IFRS 15. Any variable parameters that exist, such as discounts, were already being handled as a revenue reduction at the time of the transaction. Revenue recognition takes place when the Group satisfies a performance commitment by transferring promised goods and the customer gains control of the asset. This normally takes place on delivery in accordance with applicable delivery terms. In the event of concept sales where a service assignment is included, revenue recognition for the projects takes place over time. The time for revenue recognition, both at a specific point and over time, corresponds with the previous accounting principle. The Group has been affected by the extended disclosure requirements in IFRS 15, see also Note 6.

**ISSUED NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED BY THE GROUP**

A number of new standards and interpretations are entering into force for the financial year commencing on 1 January 2019 or later, and have not been applied in the preparation of this financial report. Below is a preliminary assessment of the effects of the standards that are deemed to be relevant for the Group:

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

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

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

The transition to IFRS 16 will have the following preliminary impact on the Group's balance statement at the time of the transition, i.e. 1 January 2019:

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

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

**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 other operating 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 has been 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 profit and financial position of all Group companies with 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.

Countries that have a high-inflation currency are recognised in accordance with IAS 29. During 2018, Argentina has been defined as a country with a high-inflation currency. The effect has not been significant for the Group.

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 FROM CONTRACTS WITH CUSTOMERS**

The Group recognises revenue when the commitments to supply promised goods or services are fulfilled according to identified customer contracts, excluding VAT, discounts and returns and after elimination of internal Group sales.

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 revenue types are not recognised separately.

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. In the event of revenue from concept sales including service assignments, revenue recognition takes place over time based on the degree of completion on the closing day, 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, revaluation of conditional additional purchase sums and profit from the sale and retirement of property, plant and equipment.

**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 opera-ting leasing. Any variable expenses are expensed in the periods in which they occur.

**Financial leasing agreements**

Financial leasing means that the object in question is reported by the lessee 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 leasing agreements**

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.

As from 2019, operational leases are reported, with the exception of low-value assets and short-term rent, according to the method in IFRS 16, which entails the reporting of a lease liability and a right of use asset. See more information above about issued new and amended standards that have not yet been applied by the Group, as well as Note 22.

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**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.

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 carried forward that are deemed potentially able to be used in future. 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 mostly 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 cannot 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 property, plant 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. Accounts receivable are recognised in the balance sheet when the invoice has been sent and the company's entitlement to payment is unconditional. 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. When settlement or disposal of financial instruments is expected to occur within a normal business cycle or within 12 months after the closing day, financial assets 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 or 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 divides up its financial assets and liabilities into debt instruments, equity instruments and derivatives such as hedging instruments in hedge accounting.

**Debt instruments**
The classification of financial assets that are debt instruments is based on the Group's business model for the management of the asset and the nature of the asset's contractual cash flows: The instruments are classified at: accrued cost or fair value via profits.

**Financial assets valued at accrued cost** 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, cash and cash equivalents and account receivables are recognised at the amount that is expected to be received after deductions for anticipated credit losses. All loans and account receivables are appraised individually. The anticipated duration of a trade receivable is short, which is why the value is recognised at the nominal amount.

**Financial assets measured at fair value via profit** include financial assets available for sale and financial assets that have been identified as being valued at fair value via profit. Financial instruments in this category are initially recognised at fair value. Changes in fair value are recognised in the income statement. Derivatives are classified at fair value via profit, if the instrument has not been identified as a hedging instrument in hedge accounting or is ineffective.

Financial liabilities are classified at accrued cost or fair value via profit.

**Financial liabilities measured at accrued cost.** This category includes loans, other financial liabilities, accounts payable and financial accrued expenses and prepaid income. Financial liabilities recognised at accrued cost are initially valued at fair value including transaction costs. After the first accounting instance, they are valued at accrued cost according to the effective interest method.

**Financial liabilities measured at fair value via profit** include financial liabilities that have initially been attributed to the relevant category as well as derivative liabilities if the instrument has not been identified as a hedging instrument in hedge accounting or is ineffective. Changes in fair value of financial instruments are recognised in the income statement for the period in which they arise. Additional purchase sums in connection with business combinations are classified as financial liabilities valued at fair value in the income statement.

**Equity instruments**
The Group classifies equity instruments at fair value via profit.

**Derivatives as hedging instruments in hedge accounting.**
Hedging of net investments in foreign operations and future cash flows are recognised according to the principles for hedge accounting. When the transaction is entered into, the relationship between the hedging instrument and the hedged item is assessed and analysed against the Group's objective for risk management in respect of hedging. An assessment of whether the hedging instruments used in hedging transactions are effective when it comes to countering changes in fair value or the cash flows that are attributable to the hedged items is performed when hedging is entered into and continually during the hedging period.

**Hedging net investments in foreign operations.** 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. Any ineffectiveness is recognised immediately in the income statement's net financial items.

**Hedging future cash flows.** 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.

**Impairment of financial assets**
The Group's financial assets, apart from those that are classified at fair value via profit, are covered by impairment for anticipated credit losses. In addition to this, the impairment covers leasing receivables and contract assets that are not valued at fair value via profit. Impairment for credit losses according to IFRS 9 is forward-looking, and a loss reserve is made when there is exposure to credit risk, normally at the first accounting instance. Anticipated credit losses reflect an objective, probability-weighted outcome that gives consideration to most scenarios based on reasonable and verifiable forecasts for the anticipated remaining term.

The financial assets are recognised in the balance sheet at accrued cost, i.e. net of gross value and loss reserve. Changes in the loss reserve are recognised in the income statement.

**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. Cash and cash equivalents are covered by the demands for a loss reserve for anticipated credit losses.

**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.

**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 restructuring operations and other provisions are recognised as provisions, as specified in Note 30.

**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 difference 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.

The company's chief operating decision-maker is identified as the Board of Directors, see page 96.

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 combination 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**

As a result of the correlation between accounting and taxation, the rules relating to financial instruments are not applied according to IFRS 9 in the Parent Company as a legal entity, rather the Parent Company applies the cost method in accordance with the Annual Accounts Act. In the Parent Company, financial non-current assets are thereby valued at cost value and financial current assets according to the lowest value principle, with impairment of anticipated credit losses applied according to IFRS 9 in respect of assets that are debt instruments. For other financial assets, impairment is based on market values. Derivatives are recognised according to the lowest value principle.

## 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 account 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.

**ASSESSMENT OF THE NEED FOR IMPAIRMENT OF FINANCIAL ASSETS**

**Important sources of uncertainty in estimates**
Impairment for credit losses of financial assets according to IFRS 9 is forward-looking, and a loss reserve is made when there is exposure to credit risk, normally at the first accounting instance. Anticipated credit losses reflect an objective, probability-weighted outcome that gives consideration to most scenarios based on reasonable and verifiable forecasts for the anticipated remaining term.

**Estimates and judgements**
ITAB's credit risk lies almost exclusively in Accounts receivable. The basis for anticipated credit losses comprises an assessment of the unpaid receivables. The reserve for anticipated credit losses is based on a calculation according to the internal regulatory framework in combination with an individual assessment. The assessment is performed on the basis of the circumstances that could have a significant impact in the valuation process. For example, important customers' financial position and ability to pay that are known on the closing day.

**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 |
| Assessment of the need for impairment of financial assets | 21 |
| 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 page 55.

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 2018, there were cash flow hedges of projected flows in EUR, GBP, USD, CZK and CNH. The fair value of the forward agreements used to hedge forecast flows amounted to net SEK 4 million (-3). The year's change in fair value, SEK 7 million (-9) after tax, has been recognised in Comprehensive income. The recovered results of the forward agreements amounted to SEK -8 million (-3) before tax for 2018, 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 2018, a 5 per cent change in the Swedish krona exchange rate would affect invoicing by about SEK 256 million (270) and net earnings by about SEK 7 million (17).

*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 790 million (703) 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 0 million (0) before tax in 2018, recognised against comprehensive income in the Group. Exchange rate fluctuations in 2018 had an impact on the Group's comprehensive income in the amount of SEK 18 million (11) after tax. At the end of 2018, the fair value of the currency swap contracts is estimated at SEK -2 million (-6).

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

| Currency SEK million | 31-12-2018 | 31-12-2017 |
|---|---|---|
| CZK | 101 | 124 |
| NOK | 82 | 28 |
| GBP | 116 | 88 |
| EUR[1)] | 216 | 165 |
| USD, HKD, CNY | 138 | 176 |
| Other | 137 | 122 |
| | **790** | **703** |

[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. All contracts have a term of less than 2 years.

| Currency | 31-12-2018 | 31-12-2017 |
|---|---|---|
| SEK | 200 | 387 |
| NOK | - | -10 |
| USD | 9 | 17 |
| CNH | 5 | - |
| CZK | 143 | 151 |
| GBP | -8 | -5 |
| EUR | -25 | -53 |

| Average exchange rate, currency swaps | 31-12-2018 |
|---|---|
| EUR/SEK | 10.3242 |
| EUR/USD | 1.2635 |
| EUR/CZK | 26.0555 |
| EUR/CNH | 8.1479 |
| GBP/SEK | 11.5159 |
| GBP/USD | 1.3309 |
| GBP/CZK | 29.3453 |
| CZK/SEK | 0.3921 |

**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 2,104 million (2130) on the closing day. SEK 1,448 million (1488) is financed with variable interest. The remaining SEK 656 million (642) is restricted through interest rate swap agreements and has an average fixed rate period of 62 (73) months. The average interest rate for outstanding interest-bearing liabilities was 3.96% (3.04) at year-end. A one percentage point change in interest would affect net earnings by approximately SEK 9 million (11) annually. The change in the fair value of interest rate swap agreements is recognised in other comprehensive income until the hedged flow is transferred to profit or loss for the year. The change in comprehensive income amounts to SEK 3 million (16), of which SEK 10 million (11) has been transferred to the profit or loss for the year.

**Derivative instruments**

| Interest rate swap agreement | 31/12/2018 Nominal amount (SEK millions) | 31/12/2017 Nominal amount (SEK millions) |
|---|---|---|
| Duration less than 1 year | 46 | 10 |
| Duration 1-3 years | 131 | 123 |
| Duration 3-5 years | 153 | 48 |
| Duration 5-10 years | 326 | 461 |
| | **656** | **642** |

**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 account 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 account 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 945 million (1154).

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 1,367 million (1551). 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 | 2018 | 2017 |
|---|---|---|
| Total purchase sum excluding acquisition expenses: | 3 | 81 |
| of which unpaid purchase sum during the year | 1 | 21 |

Expenses in conjunction with acquisitions have been recognised as costs in operating profit.

**ACQUISITIONS 2018**

**ACQUISITION OF NON-CONTROLLING PARTICIPATIONS, 2018**

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

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

**EFFECT OF ACQUISITIONS IN 2018**

Estimated fair value of assets and liabilities acquired in 2018, 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 in operating profit.

| Acquisition without a controlling influence | 2018 |
|---|---|
| Acquisition of non-controlling interests | 3 |
| Estimated additional purchase sum from holdings without a controlling influence [1] | -1 |
| **Impact for the year on the Group's cash and cash equivalents from acquisitions without a controlling influence** | **2** |
| Final settlement and payment of additional purchase sum from the acquisition of the La Fortezza Group | 140 |
| **Impact for the year on the Group's cash and cash equivalents** | **142** |

**ACQUISITIONS 2017**

**Acquisition of the D. Lindner companies**

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

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

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

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

In May 2016, 97.1% of the shares in Pikval Group Oy in Finland and its subsidiaries were acquired. The remaining 2.9% of the Pikval Group was acquired in April 2017. The purchase price was EUR 60 thousand. During 2017, Pikval Group Oy has changed its name to ITAB Finland Holding Oy. In the event of acquisitions, the entity theory is applied, which is why no additional goodwill is linked to the acquisition. The difference between valued holdings without a controlling influence prior to acquisition and the purchase price is recognised directly in equity attributable to the Parent Company's shareholders at SEK -0 million.

Via a subsidiary, the ITAB Group acquired 51% of Reklamepartner Graphics AS in Norway in December 2014. The remaining 49% of Reklamepartner was acquired in January 2017. The purchase price amounted to NOK 11 million, with a supplementary purchase price of a maximum of NOK 2 million based on the company's performance up to the end of 2020. At the time of the acquisition in 2014, the entity theory was applied, which is why no additional goodwill is linked to the acquisition. The difference between valued holdings without a controlling influence prior to acquisition and the purchase price is recognised directly in equity attributable to the Parent Company's shareholders at SEK -5 million.

**EFFECT OF ACQUISITIONS IN 2017**

Estimated fair value of assets and liabilities acquired in 2017, 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 in operating profit.

| Acquisition of the D. Lindner companies in total | Fair value |
|---|---|
| Intangible assets | 10 |
| Property, plant and equipment | 21 |
| Inventory | 22 |
| Accounts receivable | 21 |
| Other current assets | 1 |
| Provisions | -3 |
| Current interest-bearing liabilities | -79 |
| Current operating liabilities | -28 |
| **Net identifiable assets and liabilities** | **-35** |
| Group goodwill [1] | 102 |
| **Purchase price incl. estimated conditional purchase price** | **67** |
| Estimated additional purchase price [1] | -19 |
| Cash and cash equivalents in the acquired companies | 0 |
| **Impact for the year on the Group's cash and cash equivalents from the D. Lindner companies** | **48** |

| Other acquisitions without a controlling influence | |
|---|---|
| Acquisition of non-controlling interests | 14 |
| Estimated additional purchase sum from holdings without a controlling influence [1] | -2 |
| **Impact for the year on the Group's cash and cash equivalents, other acquisitions** | **12** |
| **Impact for the year on the Group's cash and cash equivalents from the year's acquisitions** | **60** |
| Final settlement of purchase sum from acquisitions in 2016, as well as payment of additional purchase sum from previous years' acquisitions [2] | 41 |
| **Impact for the year on the Group's cash and cash equivalents** | **101** |

*1) For information about goodwill additional purchase sum, see next page.*

*2) Relates to the acquisitions of the La Fortezza Group, the Pikval Group and the MB Shop Design Group from 2016, as well as the JPD companies that were acquired in 2015.*

**DIVESTMENTS IN 2018 AND 2017**

No companies have been divested during 2018 and 2017. A dormant company in the Czech Republic was wound up during 2017.

**Goodwill**

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

**Conditional purchase sum**

*The agreed conditional additional purchase sum from the year's acquisition of holdings without a controlling influence in Pulverlacken i Hillsterstorp AB is attributable to the company's profits during the period 2018-2019 and will not exceed SEK 3.2 million. The additional purchase sum is valued according to forecast profit at SEK 1.5 million. The amount that may be paid is between SEK 0-3.2 million and is settled annually, with final liquidity settled in 2020.*

*The agreed conditional additional purchase sum from the 2017 acquisition of the D. Lindner companies was attributable to the companies' sales of their own and the ITAB companies' products in 2017-2018 and was valued at EUR 2 million in 2017. Amounts that could be paid were in an interval of between EUR 0-2 million. During final negotiations, the value was EUR 0 million, and SEK 20 million has had a positive impact on profit in 2018.*

*The agreed conditional additional purchase sum from the 2017 acquisition of holdings without a controlling influence in Reklamepartner Graphics AS was attributable to the company's profits during the period 2017-2020 and will not exceed NOK 2 million. The amount that may be paid is in an interval of between NOK 0-2 million and is settled annually, with final liquidity settled in 2021.*

*The agreed conditional additional purchase sum in La Fortezza SpA from the acquisition in 2016 was attributable to the La Fortezza companies' profits, and was valued according to the forecast EBITDA for 2017. Final liquidity was settled in 2018 at EUR 13.5 million. As at 31/12/2017, the additional purchase sum was valued at EUR 15 million.*

*The agreed conditional additional purchase sum in ITAB Pikval AB, which is included in the Pikval group, was attributable to the company's profits in 2016. Final liquidity was settled in 2017. The Pikval Group was acquired in 2016.*

*The agreed conditional additional purchase sum in JPD from 2015 was attributable to the Latvian companies' profits in 2015 and 2016. Final liquidity was settled in 2017.*

# NOTE 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

**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 9% of external sales, although none of the ITAB Group's other customers account for more than 7% 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. 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 more on section business activities on pages 20-39.

**EXTERNAL NET SALES[1)]**

| The Group | 2018 | 2017 |
|---|---|---|
| United Kingdom | 1,039 | 1,231 |
| Sweden | 658 | 707 |
| Norway | 641 | 598 |
| Italy | 451 | 465 |
| Germany | 446 | 424 |
| France | 328 | 449 |
| Finland | 289 | 273 |
| Russia | 252 | 251 |
| The Netherlands | 243 | 191 |
| Denmark | 152 | 215 |
| Poland | 151 | 117 |
| Czech Republic | 139 | 104 |
| USA | 118 | 125 |
| Spain | 110 | 96 |
| China and Hong Kong | 82 | 102 |
| Argentina | 80 | 60 |
| Other | 852 | 973 |
| | **6,031** | **6,381** |

*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 | 2018 | 2017 |
|---|---|---|
| Sweden | 293 | 292 |
| China and Hong Kong | 196 | 131 |
| Czech Republic | 115 | 115 |
| Norway | 87 | 92 |
| Italy | 77 | 81 |
| Germany | 70 | 80 |
| United Kingdom | 69 | 71 |
| Lithuania | 68 | 70 |
| Russia | 54 | 64 |
| Finland | 47 | 50 |
| Belgium | 1 | 30 |
| Other | 35 | 45 |
| Goodwill | 1,634 | 1,576 |
| | **2,746** | **2,697** |

**INCOME FROM AGREEMENTS WITH CUSTOMERS DIVIDED BY CUSTOMER GROUP AND GEOGRAPHIC MARKET**

Revenue recognition takes place when the Group satisfies a performance commitment by transferring promised goods and the customer gains control of the asset. This normally takes place on delivery in accordance with applicable delivery terms. In the event of concept sales where a service assignment is included, revenue recognition for the projects takes place over time. The projects are primarily short-term projects. Payment terms vary as they are adapted according to different conditions on different geographic markets.

| Sales per customer group [1)] | 2018 | 2017 |
|---|---|---|
| Convenience goods | 2,917 | 3,047 |
| Construction and home furnishings | 1,042 | 1,015 |
| Fashion | 936 | 1,038 |
| Other customer groups | 1,136 | 1,281 |
| | **6,031** | **6,381** |

*1) The customer groups are divided up according to the sectors within which the customers operate. More than half of Other customer groups are made up of consumer electronics, pharmacies and health/beauty.*

| Sales per market [2)] | 2018 | 2017 |
|---|---|---|
| Northern Europe | 1,743 | 1,808 |
| The UK and Ireland | 1,083 | 1,281 |
| Central Europe | 1,028 | 925 |
| Southern Europe | 936 | 1,093 |
| Eastern Europe | 650 | 632 |
| Rest of the world | 591 | 642 |
| | **6,031** | **6,381** |

*2) Northern Europe consists of the Nordic countries. Central Europe's largest markets are Germany, the Netherlands and the Czech Republic. Southern Europe mainly comprises Italy, France and Spain. Eastern Europe's largest markets are Russia, the Baltic States and Poland The USA, Argentina and China make up almost half the market for Rest of the world.*

**CONTRACT ASSETS AND CONTRACT LIABILITIES**

ITAB's contract assets comprise goods and services that have been delivered but not yet invoiced, normally in the event of concept sales over time, where additional performance commitments must be fulfilled. Contract liabilities comprise advance payments from customers, allocations from customer loyalty programmes and invoicing in addition to performances not yet fulfilled in the event of concept sales over time.

| **Contract assets** | **2018** | **2017** |
|---|---|---|
| Accrued income | 45 | 22 |
| | | |
| **Contract liabilities** | | |
| Advance payments from customers | 24 | 11 |
| Accrued expenses | 20 | 8 |
| Prepaid income | 16 | 8 |
| | **60** | **38** |

| **Income recognised during the period, of which:** | **2018** |
|---|---|
| Income included in the opening balance in the item contract liabilities | 10 |
| Income attributable to commitments wholly or partially executed during previous periods | 2 |

## 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** | **2018** | **2017** |
|---|---|---|
| Sales of services to subsidiaries | 48 | 74 |
| Purchase of services from subsidiaries | -1 | -2 |

## NOTE 8. PERSONNEL AND SENIOR EXECUTIVES

| **Average number of employees** | | **2018** | **of which men** | **of which women** | **2017** | **of which men** | **of which women** |
|---|---|---|---|---|---|---|---|
| Parent Company | Sweden | 17 | 71% | 29% | 17 | 65% | 35% |
| Subsidiaries | Argentina | 117 | 89% | 11% | 117 | 88% | 12% |
| | Belgium | 5 | 80% | 20% | 12 | 83% | 17% |
| | Brazil | 1 | 100% | - | 1 | 100% | - |
| | Chile | 3 | 67% | 33% | 2 | 100% | - |
| | Denmark | 28 | 75% | 25% | 53 | 81% | 19% |
| | Estonia | 4 | 100% | - | 4 | 100% | - |
| | Finland | 123 | 85% | 15% | 141 | 83% | 17% |
| | France | 123 | 77% | 23% | 129 | 75% | 25% |
| | United Arab Emirates | 7 | 100% | - | 8 | 100% | - |
| | India | 3 | 67% | 33% | 3 | 67% | 33% |
| | Italy | 214 | 75% | 25% | 216 | 75% | 25% |
| | China and Hong Kong | 651 | 38% | 62% | 801 | 35% | 65% |
| | Latvia | 140 | 82% | 18% | 148 | 84% | 16% |
| | Lithuania | 129 | 88% | 12% | 124 | 90% | 10% |
| | Malaysia | 11 | 82% | 18% | 12 | 83% | 17% |
| | The Netherlands | 93 | 86% | 14% | 102 | 88% | 12% |
| | Norway | 174 | 76% | 24% | 176 | 74% | 26% |
| | Poland | 10 | 60% | 40% | 9 | 67% | 33% |
| | Portugal | 4 | 75% | 25% | 3 | 67% | 33% |
| | Russia | 141 | 75% | 25% | 136 | 73% | 27% |
| | Spain | 10 | 60% | 40% | 9 | 56% | 44% |
| | United Kingdom | 296 | 78% | 22% | 323 | 79% | 21% |
| | Sweden | 453 | 71% | 29% | 452 | 72% | 28% |
| | Czech Republic | 345 | 71% | 29% | 351 | 73% | 27% |
| | Germany | 269 | 80% | 20% | 238 | 85% | 15% |
| | Ukraine | 1 | - | 100% | 1 | - | 100% |
| | Hungary | 2 | 50% | 50% | 2 | 50% | 50% |
| | USA | 10 | 30% | 70% | 9 | 33% | 67% |
| **TOTAL IN SUBSIDIARIES** | | **3,367** | **70%** | **30%** | **3,582** | **69%** | **31%** |
| **THE GROUP TOTAL** | | **3,384** | **70%** | **30%** | **3,599** | **69%** | **31%** |

| Salaries, other remuneration and social security expenses (SEK millions) | 2018 Salaries and remuneration | 2018 Social security expenses | 2017 Salaries and remuneration | 2017 Social security expenses |
|---|---|---|---|---|
| Parent Company | 24.1 | 15.7 | 22.4 | 13.9 |
| *(of which pension costs)*[1] | | *6.4* | | *5.9* |
| Subsidiaries | 1,130.3 | 281.3 | 1,132.7 | 278.7 |
| *(of which pension costs)* | | *72.6* | | *63.8* |
| **GROUP TOTAL** | **1,154.4** | **297.0** | **1,155.1** | **292.6** |
| *(of which pension costs)*[2] | | *79.0* | | *69.7* |

*[1] Of the parent company's pension costs, SEK 1.9 million (1.6) 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 8.5 million (7.6) pertains to the Board and CEO. The Group's outstanding pension commitments to these persons amount to SEK 0 million (0).*

| Salaries and other remuneration divided per country and between Board members/CEO and other employees | 2018 Board of Directors and CEO | 2018 Other employees | 2017 Board of Directors and CEO | 2017 Other employees |
|---|---|---|---|---|
| **PARENT COMPANY SWEDEN** | **6.4** | **17.7** | **6.4** | **16.0** |
| *(of which bonuses)* | - | | - | |
| | | | | |
| **SUBSIDIARIES IN SWEDEN** | **8.5** | **183.2** | **10.1** | **173.6** |
| **SUBSIDIARIES, OTHERS** | | | | |
| Argentina | 2.1 | 22.4 | 2.6 | 20.7 |
| Belgium [1] | - | 4.4 | - | 58.3 |
| Brazil | - | 0.7 | 1.0 | - |
| Chile | - | 1.0 | 0.6 | - |
| Denmark | 2.8 | 35.9 | 2.0 | 36.5 |
| Estonia | - | 1.1 | - | 0.5 |
| Finland | 4.7 | 52.8 | 3.3 | 54.9 |
| France | 7.1 | 64.7 | 4.0 | 70.2 |
| United Arab Emirates | 0.6 | 2.8 | 1.0 | 3.1 |
| India | 1.0 | 0.1 | 1.0 | 0.1 |
| Italy | 10.2 | 80.0 | 11.3 | 78.6 |
| China and Hong Kong | 0.8 | 50.7 | 0.5 | 54.8 |
| Latvia | 1.7 | 24.8 | 2.1 | 23.8 |
| Lithuania | 0.6 | 20.7 | 0.7 | 18.2 |
| Malaysia | 0.5 | 1.3 | 0.4 | 1.8 |
| The Netherlands | 1.4 | 43.4 | 1.3 | 43.9 |
| Norway | 7.4 | 135.9 | 7.4 | 135.4 |
| Poland | 0.7 | 4.5 | 0.7 | 3.1 |
| Portugal | - | 2.2 | - | 1.4 |
| Russia | 2.3 | 17.6 | 1.8 | 17.3 |
| Spain | 1.1 | 2.7 | 1.0 | 2.8 |
| United Kingdom | 3.2 | 137.7 | 5.1 | 130.0 |
| Czech Republic | 2.4 | 45.8 | 1.8 | 39.7 |
| Germany | 10.6 | 116.9 | 7.0 | 91.2 |
| Hungary | - | 0.5 | - | 0.3 |
| Ukraine | - | 0.0 | - | 0.0 |
| USA | 1.4 | 5.4 | 1.3 | 4.6 |
| **SUBSIDIARIES TOTAL** | **71.1** | **1,059.2** | **68.0** | **1,064.8** |
| *(of which bonuses)* | *6.2* | | *5.5* | |
| **GROUP TOTAL** | **77.5** | **1,076.9** | **74.4** | **1,080.8** |
| *(of which bonuses)* | *6.2* | | *5.5* | |

*[1] Belgium's salary details for 2017 include pay in lieu of notice in relation to the shutting down of production in 2016.*

## REMUNERATION TO SENIOR EXECUTIVES

### The Board's fees

In accordance with the resolution at the 2018 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. 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, up to a maximum of six 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. There are currently no proposed changes. 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 2018 | Basic salary | Variable salary 1) | Other remuneration 2) | Total salary and fees 3) | Pension costs | Total incl. pension |
|---|---|---|---|---|---|---|
| CEO | 4.6 | 0.7 | 0.2 | 5.5 | 1.9 | 7.4 |
| Other senior executives in Group management (2 executives) 4) | 4.8 | 0.8 | 0.3 | 5.9 | 2.0 | 7.9 |
| **TOTAL** | **9.4** | **1.5** | **0.5** | **11.4** | **3.9** | **15.3** |
| **2017** | | | | | | |
| CEO | 4.6 | 0.0 | 0.2 | 4.8 | 1.6 | 6.4 |
| Other senior executives in Group management (2 executives) | 4.8 | 0.0 | 0.2 | 5.0 | 1.8 | 6.8 |
| **TOTAL** | **9.4** | **0.0** | **0.4** | **9.8** | **3.4** | **13.2** |

*1) Variable salary in 2018 refers to holiday pay, variable salary 2010-2016.*
*2) Other remunerations refer to taxable benefits for cars, newspapers, etc.*
*3) Salary and fees are presented above less employers' contribution. Pension costs are presented less special payroll tax.*
*4) Roy French is joining the management group as from 18 December 2018. Remuneration is reported as from January 2019.*

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

| The Group | 2018 Of which women | 2018 Of which men | 2017 Of which women | 2017 Of which men |
|---|---|---|---|---|
| Board members | 11% | 89% | 13% | 87% |
| Senior executives | 18% | 82% | 22% | 78% |

| Parent Company | | | | |
|---|---|---|---|---|
| Board members | 29% | 71% | 29% | 71% |
| Senior executives | 0% | 100% | 0% | 100% |

**Personnel expenses distributed per function**

| The Group | 2018 | 2017 |
|---|---|---|
| Cost of goods sold | -751 | -742 |
| Selling expenses | -594 | -537 |
| Administrating expenses | -158 | -147 |
| | **-1,503** | **-1,426** |

| Parent Company | | |
|---|---|---|
| Cost of goods sold | -7 | -6 |
| Selling expenses | -15 | -14 |
| Administrating expenses | -17 | -16 |
| | **-39** | **-36** |

## 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 refer 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 | |
|---|---|---|---|---|---|---|
| | 2018 | 2018 | 2017 | 2017 | 2018 | 2017 |
| | Fees to EY | Fee to other auditors | Fees to EY | Fee to other auditors | Fees to EY | Fees to EY |
| Audit assignments | 5 | 3 | 5 | 3 | 1 | 1 |
| Audit activities other than audits | 1 | 0 | 0 | 0 | 0 | 0 |
| Tax consultancy | 2 | 2 | 2 | 1 | 0 | 0 |
| Other services | 0 | 1 | 0 | 1 | 0 | 0 |
| | **8** | **6** | **7** | **5** | **1** | **1** |

## NOTE 10. DEPRECIATION AND AMORTISATION

**Depreciation divided per function**

| The Group | 2018 | 2017 |
|---|---|---|
| Cost of goods sold | -110 | -111 |
| Selling expenses | -23 | -18 |
| Administrating expenses | -9 | -10 |
| | **-142** | **-139** |

| Parent Company | | |
|---|---|---|
| Administrating expenses | -1 | -1 |

**Depreciation divided per asset type**

| The Group | 2018 | 2017 |
|---|---|---|
| Balanced development expenditure | -15 | -15 |
| Patents and other intellectual property rights | -11 | -7 |
| Buildings | -20 | -18 |
| Plant and machinery | -62 | -64 |
| Equipment, tools and installations | -34 | -35 |
| | **-142** | **-139** |

| Parent Company | | |
|---|---|---|
| Equipment | -1 | -1 |

## NOTE 11. COSTS DIVIDED BY COST TYPE

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

| The Group | 2018 | 2017 |
|---|---|---|
| Costs for direct materials | -2,722 | -2,786 |
| Personnel costs | -1,503 | -1,426 |
| Depreciation and amortisation | -142 | -139 |
| Other expenses | -1,490 | -1,577 |
| | **-5,857** | **-5,928** |

| Parent Company | | |
|---|---|---|
| Personnel costs | -39 | -36 |
| Depreciation and amortisation | -1 | -1 |
| Other expenses | -34 | -46 |
| | **-74** | **-83** |

## NOTE 12. OTHER OPERATING INCOME AND EXPENSES

**Other operating income**

| The Group | 2018 | 2017 |
|---|---|---|
| Operation's exchange rate differences | 21 | 15 |
| Profit due to revaluation of additional purchase sum, Group companies | 34 | 45 |
| Capital gain on sale of non-current assets | 17 | 8 |
| Other [1] | 19 | 7 |
| | **91** | **75** |

| Parent Company | | |
|---|---|---|
| Operation's exchange rate differences | 18 | 15 |
| | **18** | **15** |

**Other operating expenses**

| The Group | 2018 | 2017 |
|---|---|---|
| Operation's exchange rate differences | -32 | -23 |
| Capital loss on sale of non-current assets | -1 | -4 |
| Other | -2 | -1 |
| | **-35** | **-28** |

| Parent Company | | |
|---|---|---|
| Operation's exchange rate differences | -17 | -22 |
| | **-17** | **-22** |

*[1] The item other operating income includes rental income at SEK 2 million (4).*

## NOTE 13. RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2018 | 2017 |
|---|---|---|
| **Income from participations in Group companies** | | |
| Dividends received | 370 | 362 |
| | **370** | **362** |
| **Expenses from participations in Group companies** | | |
| Impairment of long-term claims in Group companies [1] | -4 | -5 |
| Impairment of shares in subsidiaries [2] | -95 | -11 |
| | **-99** | **-16** |

*[1] Impairment of claims for loss coverage in Group companies in 2018 refers to Radlok S.à.r.l in Luxembourg, SEK -4 million (-5).*

*[2] Of impairment of shares in subsidiaries in 2018, SEK 35 million refers to impairment as a result of shareholder contributions and SEK 60 million refers to impairment as a result of restructuring. Of impairment of shares in subsidiaries in 2017, SEK 8 million refers to impairment as a result of shareholder contributions and SEK 3 million refers to impairment as a result of restructuring. For more information, see Note 20.*

## NOTE 14. FINANCIAL INCOME AND EXPENSES

**Financial income**

| The Group | 2018 | 2017 |
|---|---|---|
| Interest income | 3 | 3 |
| Exchange rate differences | 3 | - |
| | **6** | **3** |

| Parent Company | | |
|---|---|---|
| Interest income, Group companies | 27 | 15 |
| | **27** | **15** |

**Financial expenses**

| The Group | 2018 | 2017 |
|---|---|---|
| Interest expenses from interest rate swaps | -10 | -11 |
| Default interest, equity instrument, convertible liability | -3 | -3 |
| Other interest expenses | -56 | -45 |
| Exchange rate differences | 0 | -8 |
| Other financial expenses | -10 | -4 |
| | **-79** | **-71** |

| Parent Company | | |
|---|---|---|
| Interest expenses, Group companies | 0 | 0 |
| Interest expenses from interest rate swaps | -10 | -11 |
| Default interest, equity instrument, convertible liability | -3 | -3 |
| Other interest expenses | -49 | -35 |
| Exchange rate differences | -76 | -10 |
| Other financial expenses | -7 | -1 |
| | **-145** | **-60** |

## NOTE 15. YEAR-END APPROPRIATIONS

| Parent Company | 2018 | 2017 |
|---|---|---|
| Received Group contributions | 74 | 78 |
| Group contributions paid | -32 | -17 |
| | **42** | **61** |

## NOTE 16. TAX

| The Group | 2018 | 2017 |
|---|---|---|
| *Current tax expenses* | | |
| Tax expenses for the period | -78 | -116 |
| Adjustment of tax attributable to previous years | 1 | 3 |
| | **-77** | **-113** |
| *Deferred tax expenses (-)/tax income (+)* | | |
| Deferred tax attributable to temporary differences | 22 | 2 |
| Deferred tax attributable to previous years | 4 | -1 |
| Deferred tax attributable to losses carried forward | -1 | 9 |
| Deferred tax as a result of changes in tax rates | -8 | 0 |
| | **17** | **10** |
| **TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT** | **-60** | **-103** |

| Parent Company | | |
|---|---|---|
| Current tax for the period | 0 | 0 |
| Deferred tax attributable to losses carried forward | 18 | -2 |
| **TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT** | **18** | **-2** |

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

| The Group | 2018 | 2018 | 2017 | 2017 |
|---|---|---|---|---|
| **Reported income before tax** | **157** | | **432** | |
| Tax at Swedish income tax rate | -34 | -22.0% | -96 | -22.0% |
| *Tax effect of* | | | | |
| Adjustment of previous year's tax | 5 | 3.2% | 2 | 0.5% |
| Other tax rates for foreign subsidiaries | 3 | 2.0% | 0 | 0.0% |
| Deductible temporary differences | -1 | -0.8% | 1 | 0.2% |
| Losses carried forward | -23 | -14.6% | 1 | 0.1% |
| Altered tax rates | -8 | -5.1% | -4 | -0.9% |
| Non-taxable income and non-deductible expenses | -2 | -1.0% | -7 | -1.6% |
| **RECOGNISED TAX EXPENSE** | **-60** | **-38.3%** | **-103** | **-23.7%** |

| Tax items recognised in other comprehensive income | 2018 | 2017 |
|---|---|---|
| Deferred tax on cash flow hedges | -3 | -1 |
| Deferred tax on hedging of net investments | -1 | 2 |
| Deferred tax on pension obligations | 0 | 1 |
| | **-4** | **2** |

| Changes in deferred tax The Group | 2018 | 2017 |
|---|---|---|
| At the start of the year | 33 | 23 |
| Acquisitions | - | -3 |
| Items recognised in other comprehensive income | 0 | 1 |
| Translation differences | -2 | 2 |
| Recognised in profit for the year | 17 | 10 |
| **AT THE CLOSE OF THE YEAR** | **48** | **33** |

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

| The Group | Receivables 2018 | Receivables 2017 | Liabilities 2018 | Liabilities 2017 |
|---|---|---|---|---|
| Non-current assets | 9 | 7 | 39 | 50 |
| Inventory | 9 | 9 | 1 | 2 |
| Current receivables | 1 | 4 | - | - |
| Provisions for pensions and similar obligations | 4 | 4 | 0 | 0 |
| Losses carried forward[1)] | 75 | 75 | - | - |
| Untaxed reserves | - | - | 7 | 17 |
| Other | 4 | 6 | 7 | 3 |
| | **102** | **105** | **54** | **72** |

*[1)] Of the deferred tax assets for losses carried forward recognised in the balance sheet, there is a deficit deduction of SEK 65 million, the utilisation of which is subject to time restrictions. Of this, SEK 3 million matures in 2020, SEK 9 million matures in 2022, SEK 6 million matures in 2023, SEK 9 million matures in 2024-2025 and the remaining SEK 38 million matures in 2026-2028. The Group has losses carried forward equivalent to nominal SEK 200 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 | 2018 Receivables | 2017 Receivables |
|---|---|---|
| Losses carried forward | 32 | 14 |
| | 32 | 14 |

# NOTE 17. EARNINGS PER SHARE

| The Group | 2018 | 2017 |
|---|---|---|
| *Earnings per share before dilution* | | |
| Net Profit for the period that is attributable to the Parent Company's shareholders, SEK millions | 89.6 | 318.8 |
| Average number of outstanding ordinary shares | 102,383,430 | 102,383,430 |
| **EARNINGS PER SHARE BEFORE DILUTION, SEK PER SHARE** | **0.88** | **3.11** |
| *Earnings per share after dilution* | | |
| Net Profit for the period that is attributable to the Parent Company's shareholders, SEK millions | 89.6 | 318.8 |
| Net interest expenses after tax on convertible debentures, SEK millions | 3.7 | 5.6 |
| **Adjusted profit, SEK millions** | **93.3** | **324.4** |
| Number of outstanding shares as per the closing day | 102,383,430 | 102,383,430 |
| Adjustment for assumed conversion of convertible debentures | 1,950,000 | 2,552,004 |
| **Number of shares after dilution** | **104,333,430** | **104,935,434** |
| **EARNINGS PER SHARE AFTER DILUTION, SEK PER SHARE** | **0.88** | **3.09** |
| **ACTUAL NUMBER OF SHARES AT YEAR-END** | | |
| before dilution, shares | 102,383,430 | 102,383,430 |
| after dilution, shares | 104,333,430 | 104,935,434 |

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

# SHARE CAPITAL TREND

| Year | 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 |

## NOTE 18. INTANGIBLE ASSETS

| 2018<br>Group | Balanced development expenses | Patents and other intellectual property rights | Goodwill | TOTAL |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 168 | 80 | 1,576 | 1,824 |
| Additions | 18 | 3 | - | 21 |
| Translation differences for the year | - | 2 | 58 | 60 |
| | **186** | **85** | **1,634** | **1,905** |
| *Accumulated depreciation according to plan* | | | | |
| At the start of the year | -49 | -23 | - | -72 |
| Depreciation according to plan for the year | -15 | -11 | - | -26 |
| Translation differences for the year | - | 0 | - | 0 |
| | **-64** | **-34** | **-** | **-98** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **122** | **51** | **1,634** | **1,807** |

| 2017<br>Group | | | | |
|---|---|---|---|---|
| *Accumulated acquisition values* | | | | |
| At the start of the year | 150 | 60 | 1,436 | 1,646 |
| Acquisition of subsidiaries, see Note 5 | - | 10 | 102 | 112 |
| New acquisitions and adjustment of goodwill from acquisitions, 2016 | 18 | 5 | 3 | 26 |
| Reclassifications | - | 2 | - | 2 |
| Translation differences for the year | - | 3 | 35 | 38 |
| | **168** | **80** | **1,576** | **1,824** |
| *Accumulated depreciation according to plan* | | | | |
| At the start of the year | -34 | -15 | - | -49 |
| Depreciation according to plan for the year | -15 | -7 | - | -22 |
| Translation differences for the year | - | -1 | - | -1 |
| | **-49** | **-23** | **-** | **-72** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **119** | **57** | **1,576** | **1,752** |

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 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 a need for 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 2% (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 2018, a figure of 10% is used for 2020-2021 and 9.5% for 2022 and onwards. Average interest rates have been assumed at the same levels as the outcome for 2018. The forecast cash flows have been converted to present value using a discount rate of 9.50% (9.54%) before tax, which corresponds to 7.5% (7.5%) 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 has been 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-free interest has been reduced slightly, which produces a slightly lower outcome from the discount rate before tax compared to 2017.

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 two percentage points, there is still no indication of an impairment need.

## NOTE 19. PROPERTY, PLANT AND EQUIPMENT

| 2018 The Group | Buildings | Machinery | Equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| *Accumulated acquisition values* | | | | | |
| At the start of the year | 705 | 756 | 361 | 136 | 1,958 |
| Additions | 6 | 26 | 29 | 70 | 131 |
| Sales and disposals | -114 | -13 | -11 | 0 | -138 |
| Reclassifications | 50 | 38 | 4 | -92 | 0 |
| Translation differences for the year | 16 | 15 | 3 | 4 | 38 |
| | **663** | **822** | **386** | **118** | **1,989** |
| *Accumulated depreciation according to plan* | | | | | |
| At the start of the year | -258 | -504 | -251 | - | -1,013 |
| Sales and disposals | 84 | 11 | 7 | - | 102 |
| Depreciation according to plan for the year | -20 | -62 | -34 | - | -116 |
| Translation differences for the year | -9 | -11 | -3 | - | -23 |
| | **-203** | **-566** | **-281** | **-** | **-1,050** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **460** | **256** | **105** | **118** | **939** |

| 2017 The Group | | | | | |
|---|---|---|---|---|---|
| *Accumulated acquisition values* | | | | | |
| At the start of the year | 661 | 859 | 411 | 55 | 1,986 |
| Acquisitions, subsidiaries | 20 | 0 | 1 | 0 | 21 |
| Additions | 9 | 49 | 41 | 88 | 187 |
| Sales and disposals | -1 | -159 | -94 | 0 | -254 |
| Reclassifications | 2 | -1 | 1 | -4 | -2 |
| Translation differences for the year | 14 | 8 | 1 | -3 | 20 |
| | **705** | **756** | **361** | **136** | **1,958** |
| *Accumulated depreciation according to plan* | | | | | |
| At the start of the year | -234 | -581 | -306 | - | -1,121 |
| Sales and disposals | 0 | 148 | 91 | - | 239 |
| Depreciation according to plan for the year | -18 | -64 | -35 | - | -117 |
| Translation differences for the year | -6 | -7 | -1 | - | -14 |
| | **-258** | **-504** | **-251** | **-** | **-1,013** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **447** | **252** | **110** | **136** | **945** |

| Parent Company | 2018 Equipment | 2017 Equipment |
|---|---|---|
| *Accumulated acquisition values* | | |
| At the start of the year | 14 | 11 |
| Additions | 1 | 3 |
| | **15** | **14** |
| *Accumulated depreciation according to plan* | | |
| At the start of the year | -5 | -4 |
| Depreciation according to plan for the year | -1 | -1 |
| | **-6** | **-5** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **9** | **9** |

## NOTE 20. PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2018 | 2017 |
|---|---|---|
| Opening recognised value | 2,170 | 2,211 |
| Business combinations[1)] | 1 | 11 |
| Shareholder contribution to subsidiaries [2)] | 35 | 8 |
| Impairment and revaluations for the year [3)] | -110 | -60 |
| **CLOSING RECOGNISED VALUE** | **2,096** | **2,170** |

*[1)] 2018 Acquisition of participations in Sintek Industrial Property AB from subsidiaries within the Group. 2017) Acquisition of participations in ITAB Pikval AB from subsidiaries within the Group, as well as acquisition of holdings without a controlling influence in ITAB Pikval Group OY.*

*[2)] Shareholder contributions in 2018 have been made to the subsidiaries ITAB Shop Concept Hungary LCC, SEK 2 million, ITAB Shop Concept A/S, SEK 28 million, and ITAB Shop Concept Nässjö AB, SEK 5 million. Shareholder contributions in 2017 have been made to the subsidiaries ITAB Shop Concept Hungary LCC, SEK 2 million, ITAB Guidance AB, SEK 4 million, ITAB Shop Concept Nässjö AB, SEK 1 million, and ITAB Pharmacy Concept AB, SEK 1 million.*

*[3)] During 2018, the participations in La Fortezza have been revalued since the acquisition by SEK -15 million (-49). Impairments of shares in subsidiaries in 2018 refer to ITAB Shop Concept Hungary LLC, SEK -2 million, ITAB Pikval AB, SEK -4 million, ITAB Shop Products France, SEK -4 million, ITAB Kiinteistö Oy, SEK -6 million, ITAB Shop Concept A/S, SEK -32 million, ITAB Baltic SIA, SEK -1 million, ITAB Shop Concept Belgium NV, SEK -41 million, and ITAB Shop Concept Nässjö AB, SEK -5 million. Impairments made during 2017 were ITAB Pikval AB, SEK -6 million, ITAB Baltic SIA, SEK -2 million, ITAB Shop Concept Hungary LCC, SEK -2 million, and GWS Group Ltd, SEK -1 million.*

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

| | Corp. reg. no. | Registered office | Country | Number of shares | Holding | 2018 Book value | 2017 Book value |
|---|---|---|---|---|---|---|---|
| ITAB Shop Concept Lithuania AB | 233393310 | Kaunas | Lithuania | 635,350 | 100% | 20 | 20 |
| ITAB Baltic SIA | 50003567701 | Riga | Latvia | 100 | 100% | 0 | 1 |
| 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 | 1 | 100% | - | - |
| D&L Lichtplanung GmbH [4] | HRB 11839 | Menden | Germany | 5 | 100% | - | - |
| D.Lindner Lichttechnische Grosshandlung GmbH [4] | HRB 5072 | Menden | Germany | 1 | 100% | - | - |
| GWS Group Ltd. | 3284213 | Gravesend | England | 3,544,684 | 100% | 0 | 0 |
| 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% | 23 | 23 |
| ITAB Sintek AB | 556313-1456 | Stockholm | Sweden | 35,000 | 100% | - | - |
| Sintek Industrial Property AB [4] | 556031-3362 | Stockholm | Sweden | 9,070 | 100% | 1 | - |
| Radlok S.à r.l | B 150987 | Luxembourg | Luxembourg | 100 | 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 | 30 | 100% | - | - |
| KB Design AS | 913275438 | Oslo | Norway | 34 | 100% | - | - |
| ITAB Lindco AS | 929240227 | Oslo | Norway | 1,000 | 100% | - | - |
| ITAB Pharmacy concept AS | 828716352 | Sandefjord | Norway | 5,000 | 100% | - | - |
| Reklamepartner Graphics AS | 979895909 | Vinterbro | Norway | 100 | 100% | - | - |
| ITAB Shop Concept Belgium N.V | 0413.792.003 | Antwerp | Belgium | 279,295 | 100% | 14 | 55 |
| ITAB Shop Concept CZ a.s | 255 68,663 | Blansko | Czech Republic | 2,210 | 100% | 277 | 277 |
| ITAB Czech Republic, s.r.o [4] | 283 13,518 | Boskowice | Czech Republic | - | 0% | - | - |
| ITAB Shop Concept A/S | 19353443 | Herning | Denmark | 11,000 | 100% | 5 | 9 |
| ITAB Kiinteistö Oy | 0719064-4 | Järvenpää | Finland | 77,000 | 100% | 18 | 18 |
| ITAB Shop Products 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% | 13 | 13 |
| ITAB Shop Products A/S | 13769893 | Taastrup | Denmark | 500 | 100% | 22 | 22 |
| ITAB Shop Products Ltd | 5822228 | Hemel Hempstead | England | 2,500,000 | 100% | 35 | 35 |
| ITAB Holdings UK Ltd | 4135080 | Hemel Hempstead | England | 4,638,743 | 100% | 119 | 119 |
| ITAB UK Ltd | 3411363 | Hemel Hempstead | England | 1,200,000 | 100% | - | - |
| ITAB Interiors Ltd | 1112808 | Hemel Hempstead | England | 550 | 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% | - | - |
| 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 | 10,000 | 65% | - | - |
| Nordic Light (Suzhou) Co Ltd | 91320594760529353P | Suzhou | China | - | 65% | - | - |
| ITAB Shop Concept China Co Ltd | 91320505MA1MEFBL86 | 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[4] | 817,964,984 | Jouy e Moutier | France | 4,500 | 100% | 0 | 4 |
| MB Shop Design AB | 556549-1643 | Hillerstorp | Sweden | 1,981 | 100% | 106 | 106 |
| Projektfinans i Småland AB | 556758-6630 | Hillerstorp | Sweden | 1,000 | 100% | - | - |
| Pulverlacken i Hillerstorp AB | 556672-7854 | Hillerstorp | Sweden | 1,000 | 100% | - | - |
| Träspecialisten i Anderstorp AB | 556906-6094 | Anderstorp | Sweden | 1,000 | 100% | - | - |
| ITAB Finland Holding Oy | 2447365-4 | Vantaa | Finland | 10,494 | 100% | 22 | 28 |
| ITAB Finland Oy | 1882702-2 | Jyväskylä | Finland | 28,000 | 100% | - | - |
| ITAB Pikval AB | 556046-4389 | Stockholm | Sweden | 1,000 | 100% | 1 | 5 |
| La Fortezza SpA | FI - 462981 | Scarperia | Italy | 20,900,000 | 100% | 786 | 800 |
| Competences S.r.L | BO-423431 | Pianoro | Italy | 11,000 | 100% | - | - |
| La Fortezza Alser S.a.S | 438699225 | 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% | - | - |
| AO La Fortezza Est | 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 | 40103175540 | Riga | Latvia | 2,845 | 100% | 49 | 49 |
| SIA ITAB Finance | 40103466377 | Riga | Latvia | 2,845 | 100% | 0 | 1 |
| SIA ITAB Production Latvia | 40103296365 | Riga | Latvia | 2,845 | 100% | 51 | 51 |
| AO ITAB Shop Concept Russia | 1057811914808 | St Petersburg | Russia | 100 | 100% | 0 | 0 |
| | | | | | | **2,096** | **2,170** |

*In addition to the above companies, the subsidiaries owned shares in dormant companies. In total, the Group comprised 92 legal companies at the end of 2018.*

*[4] During 2018, Sintek Industrial Property AB has been acquired from subsidiaries. D&L Lichtplanung GmbH and D. Lindner Lichttechnische Grosshandlung GmbH have been acquired during 2017. The Czech company ITAB Czech Republic, s.r.o has been wound up during 2017, see Note 5.*

# NOTE 21. FINANCIAL ASSETS AND LIABILITIES

| Time analysis of financial assets | 2018 Due | 2018 Not due | 2018 Total | 2017 Due | 2017 Not due | 2017 Total |
|---|---|---|---|---|---|---|
| *Accounts receivables, not written down* | | | | | | |
| less than 30 days old | 56 | 823 | 879 | 108 | 937 | 1,045 |
| 31-60 days old | 29 | - | 29 | 44 | - | 44 |
| more than 60 days old | 37 | - | 37 | 65 | - | 65 |
| *Accounts receivables written down* | | | | | | |
| more than 60 days old | 22 | - | 22 | 24 | - | 24 |
| Deduction for reserves | -22 | - | -22 | -24 | - | -24 |
| **TOTAL ACCOUNTS RECEIVABLES** | **122** | **823** | **945** | **217** | **937** | **1,154** |
| Other financial assets | - | 151 | 151 | - | 112 | 112 |
| **BOOK VALUE, FINANCIAL ASSETS EXCL. CASH AND CASH EQUIVALENTS** | **122** | **974** | **1,096** | **217** | **1,049** | **1,266** |

*The receivable is reserved as doubtful in the case of an anticipated credit loss. The appraisal is individual and performed on a case-by-case basis.*

| Change in provision for anticipated credit losses | 2018 | 2017 |
|---|---|---|
| Opening balance | 24 | 35 |
| Increase in provision via the income statement | 6 | 1 |
| Utilised reserve due to ascertained customer losses | -6 | -9 |
| Reverse provisions | -2 | -4 |
| Translation differences for the year | 0 | 1 |
| **CLOSING BALANCE** | **22** | **24** |

### TIME ANALYSIS OF FINANCIAL LIABILITIES REPORTED TO UNDISCOUNTED CASH FLOWS INCLUDING ACCRUED INTEREST

| The Group | 2018 | 2017 |
|---|---|---|
| Maturity date | | |
| within 1 year | 1,568 | 1,934 |
| between 1 and 3 years | 1,514 | 792 |
| between 3 and 5 years | 124 | 680 |
| after 5 years | 75 | 120 |
| | **3,281** | **3,526** |

| Parent Company | 2018 | 2017 |
|---|---|---|
| Maturity date | | |
| within 1 year | 733 | 978 |
| between 1 and 3 years | 1,418 | 654 |
| between 3 and 5 years | 124 | 672 |
| after 5 years | 65 | 113 |
| | **2,340** | **2,417** |

### CHANGE IN LIABILITY ATTRIBUTABLE TO FINANCING OPERATIONS IN THE GROUP'S CASH FLOW

| | 2017 | Cash flow | Items that do not affect the cash flow: Translation difference | Items that do not affect the cash flow: Fair value | 2018 |
|---|---|---|---|---|---|
| Derivative receivables | 0 | | | -3 | -3 |
| Non-current liabilities to credit institutions | 1,311 | 164 | | | 1,475 |
| Current liabilities to credit institutions as well as overdraft facility | 888 | -235 | 73 | | 726 |
| Convertible debenture loan | 188 | -30 | | 4 | 162 |
| Derivative liabilities | 28 | | | -13 | 15 |
| **TOTAL NET LIABILITY FROM FINANCING OPERATIONS** | **2,415** | **-101** | **73** | **-12** | **2,375** |
| Cash and cash equivalents | | | | | -271 |
| **Interest-bearing net debt [1)]** | | | | | **2,104** |

*[1)] 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.*

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

**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:* Other 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 two years for the acquired companies. For existing agreements, however, there is a ceiling that limits the maximum extent of the liability. An increase in anticipated profit entails a slightly higher liability for the conditional purchase sum. Refer also to Note 5.

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

| The Group 2018 | Derivatives that are applied in hedge accounting | Financial liabilities measured at fair value via the income statement | Financial assets valued at accrued cost | Other financial liabilities | Total recognised value | Fair value [1] |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Financial non-current assets | | | 7 | | 7 | 7 |
| Accounts receivable | | | 945 | | 945 | 945 |
| Derivative receivables (level 2) | 3 | | | | 3 | 3 |
| Other receivables | | | 96 | | 96 | 96 |
| Accrued income, financial claims | | | 45 | | 45 | 45 |
| Cash and cash equivalents [2] | | | 271 | | 271 | 271 |
| **TOTAL FINANCIAL ASSETS** | **3** | | **1,364** | | **1,367** | **1,367** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 1,843 | 1,843 | 1,843 |
| Convertible debenture loan | | | | 162 | 162 | 166 |
| Overdraft facilities | | | | 358 | 358 | 358 |
| Derivative liability (level 2) | 15 | | | | 15 | 15 |
| Conditional purchase sum (level 3) | | 3 | | | 3 | 3 |
| Advance payments from customers | | | | 24 | 24 | 24 |
| Accounts payable | | | | 619 | 619 | 619 |
| Other liabilities | | | | 113 | 113 | 113 |
| Accrued expenses, financial liability | | | | 40 | 40 | 40 |
| **TOTAL FINANCIAL LIABILITIES** | **15** | **3** | | **3,159** | **3,177** | **3,181** |
| **2017** | | | | | | |
| **Financial assets** | | | | | | |
| Financial non-current assets | | | 8 | | 8 | 8 |
| Accounts receivable | | | 1,154 | | 1,154 | 1,154 |
| Other receivables | | | 82 | | 82 | 82 |
| Accrued income, financial claims | | | 22 | | 22 | 22 |
| Cash and cash equivalents [2] | | | 285 | | 285 | 285 |
| **TOTAL FINANCIAL ASSETS** | | | **1,551** | | **1,551** | **1,551** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 1,676 | 1,676 | 1,676 |
| Convertible debenture loan | | | | 188 | 188 | 195 |
| Overdraft facilities | | | | 523 | 523 | 523 |
| Derivative liability (level 2) | 28 | | | | 28 | 28 |
| Conditional purchase sum (level 3) | | 169 | | | 169 | 169 |
| Advance payments from customers | | | | 11 | 11 | 11 |
| Accounts payable | | | | 676 | 676 | 676 |
| Other liabilities | | | | 121 | 121 | 121 |
| Accrued expenses, financial liability | | | | 21 | 21 | 21 |
| **TOTAL FINANCIAL LIABILITIES** | **28** | **169** | | **3,216** | **3,413** | **3,420** |
| **Parent Company** | | | | | | |
| **2018** | | | | | | |
| **Financial assets** | | | | | | |
| Receivables, Group companies | | | 1,038 | | 1,038 | 1,038 |
| Cash and cash equivalents [2] | | | 0 | | 0 | 0 |
| **TOTAL FINANCIAL ASSETS** | | | **1,038** | | **1,038** | **1,038** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 1,645 | 1,645 | 1,645 |
| Convertible debenture loan | | | | 162 | 162 | 166 |
| Overdraft facilities | | | | 380 | 380 | 380 |
| Accounts payable | | | | 3 | 3 | 3 |
| Liabilities to Group companies | | | | 40 | 40 | 40 |
| Other liabilities | | | | 2 | 2 | 2 |
| Accrued expenses, financial liability | | | | 4 | 4 | 4 |
| **TOTAL FINANCIAL LIABILITIES** | | | | **2,236** | **2,236** | **2,240** |
| **2017** | | | | | | |
| **Financial assets** | | | | | | |
| Receivables, Group companies | | | 1,037 | | 1,037 | 1,037 |
| Cash and cash equivalents [2] | | | 0 | | 0 | 0 |
| **TOTAL FINANCIAL ASSETS** | | | **1,037** | | **1,037** | **1,037** |
| **Financial liabilities** | | | | | | |
| Liabilities to credit institutions | | | | 1,397 | 1,397 | 1,397 |
| Convertible debenture loan | | | | 188 | 188 | 195 |
| Overdraft facilities | | | | 543 | 543 | 543 |
| Accounts payable | | | | 3 | 3 | 3 |
| Liabilities to Group companies | | | | 20 | 20 | 20 |
| Conditional purchase sum (level 3) | | 148 | | | 148 | 148 |
| Other liabilities | | | | 2 | 2 | 2 |
| Accrued expenses, financial liability | | | | 5 | 5 | 5 |
| **TOTAL FINANCIAL LIABILITIES** | | **148** | | **2,158** | **2,306** | **2,313** |

*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*

## NOTE 22. LEASING

**FINANCIAL LEASING**

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

| | 2018 | 2017 |
|---|---|---|
| *Plant and machinery* | | |
| *Accumulated acquisition values* | | |
| At the start of the year | 73 | 82 |
| Sales and disposals | -11 | -8 |
| Translation differences for the year | 0 | -1 |
| | **62** | **73** |
| *Accumulated depreciation according to plan* | | |
| At the start of the year | -50 | -51 |
| Depreciation according to plan for the year | -5 | -7 |
| Sales and disposals | 10 | 8 |
| Translation differences for the year | -2 | 0 |
| | **-47** | **-50** |
| **RECOGNISED VALUE AT THE CLOSE OF THE YEAR** | **15** | **23** |
| Borrowing, financial leasing | 9 | 15 |

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

During 2018, the cost for these agreements, excluding consideration for deferred tax, amounted to SEK 6 million (8). Future obligations for financial agreements amount to SEK 10 million (15) and are distributed as follows:

| 2018 | Nominal value | Current value |
|---|---|---|
| Current portion, maturity date within one year | 3 | 3 |
| Non-current portion, maturity date between one and three years | 7 | 6 |
| Non-current portion, maturity date between three and five years | 0 | 0 |
| Non-current portion, maturity date over five years | 0 | 0 |
| | **10** | **9** |

| 2017 | | |
|---|---|---|
| Current portion, maturity date within one year | 4 | 4 |
| Non-current portion, maturity date between one and three years | 9 | 9 |
| Non-current portion, maturity date between three and five years | 2 | 2 |
| Non-current portion, maturity date over five years | 0 | 0 |
| | **15** | **15** |

**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 160 million (151) in 2018, of which rental costs for properties amounted to SEK 126 million (122). There are no significant variable charges or restrictions.

Agreed future payments for operational leases amount to SEK 705 million (632), and are distributed as follows:

| | 2018 | 2017 |
|---|---|---|
| Maturity date within one year | 144 | 143 |
| Maturity date between one and five years | 357 | 316 |
| Maturity date more than five years | 204 | 173 |
| | **705** | **632** |

**IFRS 16 Leases**

IFRS 16 Leases will replace IAS17 as from 1 January 2019. This standard is eliminating the subdivision of leases into either operational or financial leases for the lessee, and is introducing a joint model for the reporting of all leasing. In this model, the lessee will report assets and liabilities for all leases, with the exception of low-value assets and short-term rent. In addition, the depreciation of leased assets will be reported separately from the interest on the debt for leasing in the income statement. At the time of the transition to the standard, ITAB is using the simplified method where comparative figures will not be recalculated, the lease liability is valued at the current value of the remaining lease fees discounted by the marginal interest rate as at 1 January 2019, and the right of use is recognised at an amount corresponding to the lease liability on 1 January 2019. To find out more about the transition to IFRS 16, see Note 2, Chapter "Issued and amended standards and interpretations that have not yet been applied by the Group".

**Below is a presentation of how the transition will affect operational leasing**

| | 2018 |
|---|---|
| Commitments for operational leasing agreements as at 31 December 2018 | 705 |
| Additional adjustments due to different handling of options for extending or terminating agreement | 184 |
| Deduction for short-term leases and leases for which the underlying asset is of low value that is expensed on a straight-line basis | -107 |
| Discounting with marginal interest rate as at 1 January 2019 | -57 |
| Additional liabilities for financial leasing agreements as at 31 December 2018 | 9 |
| **Lease liability recognised as at 1 January 2019** | **734** |
| Right of use for financial leases as at 31 December 2018 | 15 |
| Right of use corresponding to lease liability for operational leases on 1 January 2019 | 725 |
| **Right of use on 1 January 2019** | **740** |

## NOTE 23. INVENTORY

| The Group | 2018 | 2017 |
|---|---|---|
| Raw materials and supplies | 424 | 528 |
| Products in progress | 111 | 128 |
| Finished products and trading goods | 481 | 506 |
| Advance payments for goods | 3 | 12 |
| | **1,019** | **1,174** |

*The year's impairment of finished products and trading goods expensed to the year's income totalled SEK 32 million (29) for the Group.*

## NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

| The Group | 2018 | 2017 |
|---|---|---|
| Prepaid rent and leasing fees | 11 | 14 |
| Prepaid insurance premiums | 6 | 6 |
| Other prepaid expenses | 42 | 49 |
| Accrued income from contracts with customers | 45 | 22 |
| Other accrued income | 17 | 7 |
| | **121** | **98** |

| Parent Company | 2018 | 2017 |
|---|---|---|
| Prepaid insurance premiums | 1 | 1 |
| Prepaid financing expenses | 3 | 3 |
| Other prepaid expenses | 9 | 15 |
| | **13** | **19** |

## 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 shareholders' 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 difference 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. No divestments have taken place during 2018 and 2017, although dormant companies of little value have been deregistered.

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

| **Translation reserve related to the Parent Company's shareholders** | **2018** | **2017** |
|---|---|---|
| Opening balance | 2 | -14 |
| Translation difference for phased out operations transferred to profit for the year | 0 | 0 |
| Translation difference when translating foreign operations | 11 | 24 |
| Change in fair value of hedges of net investments | 5 | -10 |
| Tax | -1 | 2 |
| **Closing balance** | **17** | **2** |
| **Translation reserve related to holdings without controlling influence** | | |
| Opening balance | 9 | 12 |
| Translation differences for the year | 3 | -3 |
| **Closing balance** | **12** | **9** |

*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.

| | **2018** | **2017** |
|---|---|---|
| Opening balance | -17 | -21 |
| Change in fair value of cash flow hedges | -5 | -9 |
| Change in fair value of cash flow hedges transferred to the year's profit or loss | 17 | 14 |
| Tax | -3 | -1 |
| **Closing balance** | **-8** | **-17** |
| **Total other reserves related to the Parent Company's shareholders** | **9** | **-15** |
| **Total other reserves related to non controlling interest** | **12** | **9** |

**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 per share is SEK 0.4167. With regard to the share capital trend, refer to Note 17.

**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** | **2018** | **2017** |
|---|---|---|
| *The following unrestricted profit is at the disposal of the Annual General Meeting:* | | |
| Share premium reserve | 310 | 310 |
| Profit brought forward | 398 | 233 |
| Net profit for the year | 188 | 344 |
| **TOTAL** | **896** | **887** |

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

| | | |
|---|---|---|
| To be paid as dividends to shareholders, SEK per share | - | 1.75 |
| Number of shares | 102,383,430 | 102,383,430 |
| To be paid as dividends to shareholders in total | - | 179 |
| To be carried forward to a new account | 896 | 708 |
| **TOTAL** | **896** | **887** |

## NOTE 27. OVERDRAFT FACILITY

| **The Group** | **2018** | **2017** |
|---|---|---|
| Granted overdraft facility | 923 | 927 |
| Utilised overdraft facility | 358 | 523 |
| **Unutilised overdraft facility** | **565** | **404** |
| **Parent Company** | | |
| Granted overdraft facility | 903 | 868 |
| Utilised overdraft facility | 380 | 543 |
| **Unutilised overdraft facility** | **523** | **325** |

*The companies in the ITAB Group are affiliated to the Group account system. At the end of the year, ITAB Shop Concept AB had net assets of SEK 432 million (224) via Group accounts. Together with the subsidiaries within the Group, the Parent Company's total liability to credit institutions via Group accounts amounted to SEK 307 million (505), i.e. the Parent Company has a claim against subsidiaries totalling SEK 739 million (729).*

## NOTE 28. CONVERTIBLE DEBENTURE LOAN

Up until 30 June 2018, ITAB Shop Concept AB had two outstanding convertible programmes targeted at the Group's employees under market conditions. The first loan was taken out in June 2014 in which 602,004 convertibles were subscribed for that could be converted to one share at a conversion price of SEK 49.83. The nominal amount was SEK 30 million, which corresponds to 602,004 shares. Transaction expenses that arose in connection with the convertible loan were spread over the term of the loan and expensed as financial expense. The convertible loan ran 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 could be converted to shares at a conversion rate of SEK 49.83 per share. The loan's nominal amount was SEK 49.83. No conversions were conducted and the convertible debenture was repaid at the start of July 2018.

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 present 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 | 2018 | 2017 |
|---|---|---|
| *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 | 6 | -5 |
| Expected return on management assets | 0 | 0 |
| **RECOGNISED PENSION COSTS, NET** | **7** | **-4** |
| *Recognised provisions per 31 December* | | |
| Pension commitments' present value | 74 | 65 |
| Management asset's fair value | -35 | -33 |
| **RECOGNISED PROVISIONS PER 31 DECEMBER** | **39** | **32** |
| *The net amount is distributed between the following countries* | | |
| Norway | 4 | 4 |
| Sweden | 2 | 2 |
| Italy | 18 | 17 |
| France | 8 | 8 |
| Belgium | 6 | 0 |
| Other | 0 | 1 |
| **OBLIGATIONS RECOGNISED IN THE BALANCE SHEET** | **38** | **32** |

| | 2018 | 2017 |
|---|---|---|
| *Change in recognised provision* | | |
| Opening net liability | 32 | 32 |
| Actuarial gains and losses | -1 | 4 |
| Realignment | 0 | 0 |
| Pension costs, net | 7 | -4 |
| **RECOGNISED PROVISIONS PER 31 DECEMBER** | **38** | **32** |
| *The most important assumptions used for determining commitments for pensions (%)* | | |
| Discount factor | 1.6-2.6% | 1.3-2.3% |
| Future wage increases | 1.0-2.7% | 1.0-2.5% |
| Future pension increases | 2.5-2.6% | 2.2-2.6% |
| Expected yield | 2.60% | 2.30% |

**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 2018 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 5 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 2018, Alecta's surplus in the form of the collective solvency level was 142 per cent (154).

## NOTE 30. OTHER PROVISIONS

| The Group | 2018 | 2017 |
|---|---|---|
| Restructuring reserve 1) | 0 | 12 |
| Guarantee fund | 4 | 3 |
| Environmental reserve | 1 | 1 |
| Other provisions | 21 | 15 |
| | **26** | **31** |

[1] *The restructuring reserve refers to costs in association with the closure of the production unit in Belgium.*

[2] *Other provisions refer primarily to a provision for agents pursuant to Italian law and are based on average commission over the past 5 years.*

| The Group 2018 | Guarantee fund | Environmental reserve | Restructuring reserve 1) | Other provisions 2) | Total |
|---|---|---|---|---|---|
| **Opening balance as per 1 Jan 2018** | **3** | **1** | **12** | **15** | **31** |
| The year's provisions | 1 | - | - | 8 | 9 |
| Utilised provisions | - | - | -12 | -3 | -15 |
| Translation differences | 0 | 0 | 0 | 1 | 1 |
| **Closing balance as per 31 Dec 2018** | **4** | **1** | **0** | **21** | **26** |
| **of which, current provisions** | **-** | **0** | **0** | **7** | **7** |
| **of which, non-current provisions** | **4** | **1** | **-** | **14** | **19** |

| The Group 2017 | Guarantee fund | Environmental reserve | Restructuring reserve 1) | Other provisions 2) | Total |
|---|---|---|---|---|---|
| **Opening balance as per 1 Jan 2017** | **3** | **1** | **52** | **15** | **71** |
| The year's provisions | 0 | 0 | 9 | 1 | 10 |
| Utilised provisions | - | - | -50 | -2 | -52 |
| Translation differences | 0 | 0 | 1 | 1 | 2 |
| **Closing balance as per 31 Dec 2017** | **3** | **1** | **12** | **15** | **31** |
| **of which, current provisions** | **-** | **0** | **5** | **3** | **8** |
| **of which, non-current provisions** | **3** | **1** | **7** | **12** | **23** |

## NOTE 31. ACCRUED EXPENSES AND PREPAID INCOME

| The Group | 2018 | 2017 |
|---|---|---|
| Payroll and vacation expenses | 128 | 115 |
| Accrued social security fees, including pension and payroll tax | 59 | 47 |
| Accrued expenses from contracts with customers | 20 | 8 |
| Accrued sales commissions | 18 | 50 |
| Accrued service-related expenses | 6 | 6 |
| Accrued interest expenses | 4 | 5 |
| Other accrued expenses | 91 | 51 |
| Prepaid income from contracts with customers | 16 | 8 |
| Other prepaid income | 1 | 5 |
| | **343** | **295** |

| Parent Company | | |
|---|---|---|
| Payroll and vacation expenses | 7 | 6 |
| Accrued social security fees, including pension and payroll tax | 2 | 4 |
| Accrued interest expenses | 4 | 5 |
| Other accrued expenses | 1 | 0 |
| | **14** | **15** |

## NOTE 32. PLEDGED ASSETS

| The Group | 2018 | 2017 |
|---|---|---|
| *Pledges for own liabilities* | | |
| Property mortgages | 47 | 71 |
| Business mortgages | 179 | 185 |
| Shares in subsidiaries | 1,490 | 1,712 |
| **TOTAL PLEDGED ASSETS** | **1,716** | **1,968** |

| Parent Company | | |
|---|---|---|
| *Pledges for own liabilities* | | |
| Shares in subsidiaries | 1,319 | 1,334 |

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

## NOTE 33. CONTINGENT LIABILITIES

| The Group | 2018 | 2017 |
|---|---|---|
| Guarantee undertakings | 66 | 180 |

| Parent Company | | |
|---|---|---|
| Sureties for subsidiaries | 933 | 983 |

## 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.

Purchases to a total value of SEK 1 million (1) have been made in 2018 by the ITAB companies ITAB Shop Products AB in Jönköping, ITAB Shop Concept Nässjö AB, MB Shop Design AB and ITAB Finland Oy from companies in the XANO Group, which are under the controlling influence of board member Anna Benjamin and family.

Transactions between the Parent Company ITAB Shop Concept AB and its subsidiaries are specified in Notes 7, 13 and 14.

## NOTE 35. EVENTS AFTER THE CLOSING DAY

Ulf Rostedt, President and CEO of ITAB, has decided at his own request to leave his position at ITAB. Ulf will remain in place until a successor has taken up the position. Ulf Rostedt is focusing his remaining time on the restructuring programme that is in progress, before then handing over to his successor.

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 26 March 2019. 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 8 May 2019.

**Jönköping, 26 March 2019**

Anders Moberg
Chairman

Anna Benjamin
Board member

Per Borgklint
Board member

Petter Fägersten
Board member

Sune Lantz
Board member

Fredrik Rapp
Board member

Lottie Svedenstedt
Board member

Ulf Rostedt
CEO

**Our audit was submitted on 26 March 2019**

**Ernst & Young AB**

Joakim Falck
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 2018. The company's annual accounts and consolidated accounts are included on pages 52–88 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 2018 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 2018 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.

Our opinions in this report regarding the annual accounts and consolidated accounts are compatible with the content of the supplementary report that has been submitted to the Parent Company's Audit Committee in accordance with Article 11 of the Audit Regulation (537/2014).

**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. This means that, to the best of our knowledge and belief, no prohibited services as referred to in Article 5.1 of the Audit Regulation (537/2014) have been supplied to the audited company or, where applicable, to its parent company or its audited companies within the EU.

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. The description below of how the audit was conducted within these areas must be read in this context.

We have satisfied the obligations described in the section Auditor's responsibility in our report on the annual accounts within these areas as well. As a result, audit measures were carried out that have been designed to consider our assessment of risk of material errors in the annual accounts and the consolidated accounts. The results of our audit and the audit procedures that have been carried out to deal with the areas set out below constitute the basis for our auditor's report.

**Valuation of goodwill and participations in Group companies**

***Description of the area***

The reported value for goodwill amounts to SEK 1,634 million in the Group's balance sheet as at 31 December 2018, which corresponds to 30% of total assets. Participations in Group companies are reported in the Parent Company's balance sheet at SEK 2,096 million, which corresponds to 66% of total assets. 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 for each cash-generating unit by means of a current value calculation of future cash flows. Future cash flows are based on the management's business plans and forecasts and include a number of assumptions, including regarding profit trend, growth, investment needs and discount rate For participations in Group companies, the recoverable amount is determined as fair value or value in use, whichever is the highest.

Altered assessments of the assumptions the management has made in the calculation of the recoverable amount and the assumptions that the Company has applied are therefore very important in the assessment of the need for impairment. We have therefore judged that the recognition of goodwill and participations in Group companies are 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".

***How this area was taken into consideration in the audit***

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.

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

This document also contains information other than the annual accounts and consolidated accounts, and can be found on pages 1-51. The Board of Directors and the CEO are responsible for this other information.

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 counter-measures 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 auditor's report except when laws or other statutes prevent the communication of information about an issue.

### 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 2018 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.

Ernst & Young AB Box 7850, 103 99 Stockholm, was appointed ITAB Shop Concept AB (publ)'s auditor by the Annual General Meeting on 7 May 2018. ITAB Shop Concept AB (publ) has been a public-interest entity since 28 May 2004.

**Jönköping, 26 March 2019**
**Ernst & Young AB**

**Joakim Falck**
**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 95.

**SHAREHOLDERS**

At the end of 2018, the number of shareholders in ITAB amounted to 4,351 (4,293). Institutional ownership made up 5.41 per cent of the votes and 15.96 per cent of the capital. The ten largest shareholders accounted for 91.40% of the votes and 74.65% 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 17.24 per cent of the capital and 52.61 per cent of the votes. Pomona-gruppen holds 29.82 per cent of the capital and 29.43 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 2018**

ITAB's 2018 Annual General Meeting was held on Tuesday 7 May.

Attending the Meeting were 86 shareholders representing 89.29 per cent of the votes and 68.42 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 1.75 per share, for a total of SEK 179.2 million.
- Anna Benjamin, Per Borgklint, Petter Fägersten, Sune Lantz, Anders Moberg, Fredrik Rapp and Lottie Svedenstedt were re-elected as Board members.
- Anders Moberg was elected as Chairman.
- Anders Rudgård (Chairman), Fredrik Rapp and Stig-Olof Simonsson were elected to the Nomination Committee.
- The registered auditing company Ernst & Young AB was selected as auditor, with authorised public accountant Joakim Falck 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.

**ANNUAL GENERAL MEETING 2019**

ITAB's 2019 Annual General Meeting will be held on Wednesday 8 May at 4 pm in ITAB's premises at Instrumentvägen 2 in Jönköping. Further information can be found on page 101.

**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.

At the 2018 AGM, shareholders who jointly represent more than 80 per cent of the votes in ITAB appointed a Nomination Committee comprising Anders Rudgård as Chairman and Fredrik Rapp and Stig-Olof Simonsson as members.

The Nomination Committee's task ahead of the 2019 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. Anders Moberg (Chairman), Anna Benjamin, Per Borgklint, Petter Fägersten, Sune Lantz, Fredrik Rapp and Lottie Svedenstedt. A more detailed presentation of the Board members can be found on page 96.

The Board members elected by the AGM include individuals representing ITAB's major shareholders as well as independents (see table on page 95). 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 eight Board meetings during 2018, of which one was an extraordinary meeting 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 2018 also covered the following:

1. **6 February.** Year-end report 2017, report from the Audit Committee in which the auditors' overall observations during the audit of the 2017 accounts were presented, evaluation of the Board's work in 2017. The Audit Committee's account for the internal audit.
2. **28 March.** Prevailing market situation.
3. **7 May.** Interim report, three months, conditions ahead of Annual General Meeting.
4. **7 May.** Statutory Board meeting.
5. **11 July.** Half-yearly report.
6. **17-18 September.** Group strategy.
7. **29 October.** Interim report, nine months. The Audit Committee's account for the internal audit.
8. **11 December.** Budget 2019.

**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.

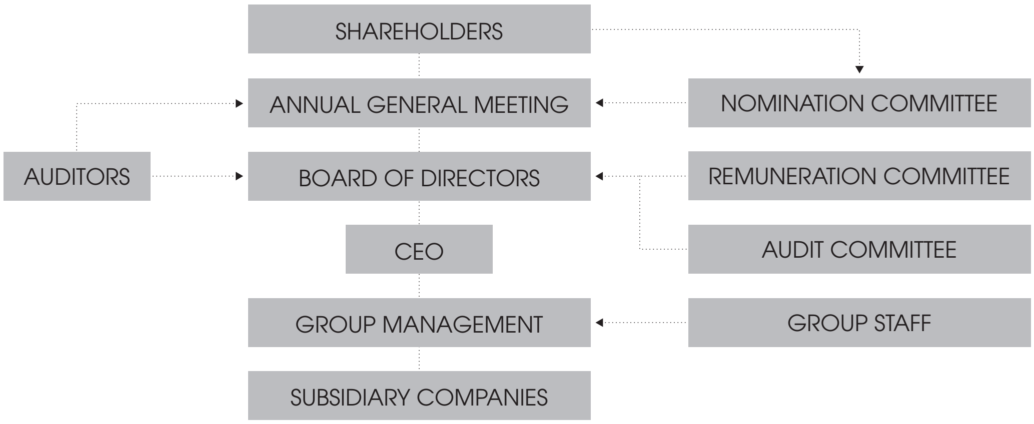
ITAB's Audit Committee comprises Anna Benjamin (Chair of the Committee), Per Borgklint and Sune Lantz.

During 2018, the Audit Committee has held two 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 ▶

## CORPORATE GOVERNANCE



schemes and schemes concluded during the year regarding variable remuneration to corporate management, as well as monitoring and evaluating the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting, as well as current remuneration structures and remuneration levels in the company. ITAB's Remuneration Committee has also been tasked with preparing issues regarding remuneration and other employment terms for CEOs in other companies in the Group.

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

The Remuneration Committee has held one minuted meeting with all members present regarding remunerations in 2018.

### 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. On 5 February 2019, Ulf Rostedt notified that, at his own request, he is leaving his position as President and CEO of ITAB. Ulf Rostedt will remain in position until a successor has taken up the role.

### GROUP MANAGEMENT

The Group Management comprises CEO Ulf Rostedt, Deputy CEO Mikael Gustavsson, CFO Samuel Wingren and Group Executive Director Roy French.

### 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 2018 Annual General Meeting and related to the term up to and including the 2019 Annual General Meeting. The company's auditor is the registered auditing company Ernst & Young AB, with authorised public accountant Joakim Falck as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Joakim Falck also has auditing assignments for e.g. Nolato AB, Garo AB, Xano Industrier AB, Nefab Holding AB and EFG Holding AB.

### DEVIATIONS FROM THE CODE

There are no deviations to report for 2018.

### 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 2018 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 six 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 2016 Annual General Meeting, it was decided to issue convertible bonds to employees, which also covers the corporate 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 analysed 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 2018

| Name | Commissions | Remunerations Committee | Audit Committee | Independent in relation to the company and corporate management | Independent in relation to major shareholders | Participation in Board meetings[3] | Participation in Remuneration Committee[3] | Participation in Audit Committee | Board fee incl. committee remuneration (SEK) |
|---|---|---|---|---|---|---|---|---|---|
| Anders Moberg | Chair | Chair | - | Yes | Yes | 6 (8) | 1 (1) | - | 340,000 |
| Anna Benjamin | Board member | - | Chair | Yes | No [1] | 8 (8) | - | 2 (2) | 190,000 |
| Per Borgklint | Board member | - | Board member | Yes | Yes | 8 (8) | - | 2 (2) | 180,000 |
| Petter Fägersten | Board member | - | - | No[4] | No[1] | 8 (8) | - | - | 150,000 |
| Sune Lantz | Board member | - | Board member | Yes | No [2] | 8 (8) | - | 1 (2) | 180,000 |
| Fredrik Rapp | Board member | Board member | - | Yes | No[1] | 8 (8) | 1 (1) | - | 180,000 |
| Lottie Svedenstedt | Board member | Board member | - | Yes | Yes | 8 (8) | 1 (1) | - | 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 1 Remuneration Committee meeting.*
*[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 96-97.*

**Jönköping, 26 March 2019**

Anders Moberg
Chairman

Anna Benjamin
Board member

Per Borgklint
Board member

Petter Fägersten
Board member

Sune Lantz
Board member

Fredrik Rapp
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 2018 on pages 92-95 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, 26 March 2019**
**Ernst & Young AB**

**Joakim Falck**
**Authorised Public Accountant**

# BOARD OF DIRECTORS

**ANDERS MOBERG**
(born 1950)
Chairman of the Board since 2018 and 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, ZetaDisplay AB, Boconcept A/S and Stichting INGKA Foundation.
**Shareholding in ITAB Shop Concept AB:** Class B: 1,100,000 shares (endowment policy)

**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, Inev AB, Pegital Investment AB and XANO Industri AB.
**Shareholding in ITAB Shop Concept AB:** Class B: 10,870,620 shares

**PER BORGKLINT**
(born 1972)
Board member since 2017
**Degrees:** Graduate in business administration, Jönköping School of Economics.
**Principal work experience:** Senior Vice President, Chief Innovation Officer and Head of Business Unit Media, Ericsson. CEO, Net 1. CEO, Canal Plus Nordic, and CEO, Versatel, as well as various senior positions within Tele2.
**Commissions:** No other assignments.
**Shareholding in ITAB Shop Concept AB:** No holding in ITAB.

**PETTER FÄGERSTEN**
(born 1982)
Board member since 2016
**Degrees:** Economics and Finance, Jönköping International Business School
**Principal work experience:** CEO and Head of Marketing of ITAB Shop Concept Jönköping AB
**Commissions:** Board member of AGES Industri AB, XANO Industri AB, Inev AB, Ravingatan AB, Skanditape AB, Övre kullen AB, etc.
**Shareholding in ITAB Shop Concept AB:** Class A: 15,686,400 shares
Class B: 1,966,374 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 Board of Inev AB, Miljöbyggarna Entreprenad i Linköping AB etc.
**Shareholding in ITAB Shop Concept AB:** Class B: 629,880 shares

**FREDRIK RAPP**
(born 1972)
Board member since 2013
**Degrees:** B.Sc. Economics
**Principal work experience:** CEO of Pomonagruppen AB, CEO of Talk Telecom AB
**Commissions:** Chairman of the Board of Xano Industri AB, Borgstena Group AB, Binar AB, Eesti Höövelliist AS, Serica Consulting AB, Svenska Handbollförbundet, etc. Board member of Ages Industri AB, PrimeKey Solutions AB, Segulah AB, Nordic Flow Group AB, etc.
**Shareholding in ITAB Shop Concept AB:** Class A: 6,480,000
Class B: 24,067,264

**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, Tillväxt Helsingborg Foundation. Board member of Byggmax AB, Gullberg & Jansson AB, Helsingborgs IF, Mil Foundation and Swedavia 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: 249,900 shares
Convertibles corresponding to 60,042 Class B shares.

**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: 116,000 shares
Convertibles corresponding to 60,042 Class B shares.

**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 60,042 Class B shares.

**ROY FRENCH**
(born 1965)
CED since 2018, CBO since 2011
Employed in ITAB since 2011.
**Degrees:** Cedars Upper School, Cranfield University
**Principal work experience:** Sales & Marketing Director of CMB Manufacturing which is part of Wagon Industries PLC, Group Sales & Marketing Director of Radford Group which is part of Linde AG Refrigeration & Retail System, CEO of Marmon Retail Services LLC which is part of Berkshire Hathaway.
**Other commissions:** –
**Shareholding in ITAB Shop Concept AB:** Convertibles corresponding to 7,000 Class B shares.

## 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 Joakim Falck as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Joakim Falck also has auditing assignments for e.g. Nolato AB, Garo AB, Xano Industrier AB, Nefab Holding AB and EFG Holding AB.

**JOAKIM FALCK**
(born 1972)
Auditor to ITAB since 2018
Authorised Public Accountant
Member of FAR SRS, Ernst & Young AB

Information about the number of shares refers to shareholdings as per 31 December 2018 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 2018 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.: 036-31 73 00

# GRI INDEX

**The index below indicates where mandatory standard information and selected indicators from the materiality analysis are reported in the annual report.**

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# WELCOME TO THE 2019 ANNUAL GENERAL MEETING

**The Annual General Meeting will be held on Wednesday 8 May 2019 at 4 pm 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 Thursday 2 May 2019, and must notify the company of their intention to participate in the Meeting not later than 4 pm on Thursday 2 May 2019 to ITAB SHOP CONCEPT AB, C/O Euroclear Sweden AB, "Årsstämma", Box 191, 101 23 Stockholm. It is also possible to submit the information by phone on +46 (0)8-402 92 16 or via the form at www.itabgroup.com. The notification must have been received by the company not later than Thursday 2 May 2019. Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names before Thursday 2 May 2019 to be eligible to participate in the Meeting.

### DIVIDENDS

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2018 financial year.

### NOMINATION COMMITTEE

At the 2018 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Stig-Olof Simonsson. The Nomination Committee's task for the 2019 AGM is to propose candidates for Chairman of the Board and Board members, for auditor and for the post of Meeting chairman, as well as fees and other remuneration for the Board, committees 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.itabgroup.com, in conjunction with the notice being published there.

# FINANCIAL STATEMENTS FOR 2019

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| Interim report, January - March | 8 May |
| Annual General Meeting 2019 | 8 May |
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| Interim report, January - September | 25 October |
| Year-end report 2019 | 6 February 2020 |
| Annual Report 2019 | March/April 2020 |
| Annual General Meeting 2020 | May 2020 |

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

# GLOSSARY

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

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

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

**Click & Collect**
Means that the consumer orders goods in-store or online, before collecting their order from an unmanned collection point.

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

**Endless Aisle**
Means that you can order products on a digital display in the shop, and the goods are then sent to the shop's collection point or directly to your home.

**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.

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

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

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

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