ITAB

ANNUAL REPORT 2019


Polestar

At ITAB we help customers turn consumer brand experience into physical reality with our know-how, solutions and ecosystem of partners.

TOWARDS ONE ITAB

The work on our new strategy and our transformation plan is known as One ITAB. This strategy will be our guiding star for the years to come, and will determine the pace and direction of the transition to a modern, cost-efficient and even better positioned ITAB. Read more on page 36.

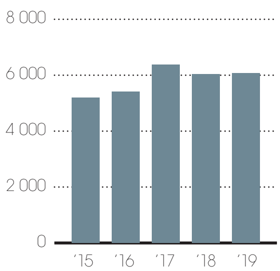
ITAB

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 area, professional lighting systems and interactive products. Customers include the major players throughout most of Europe.

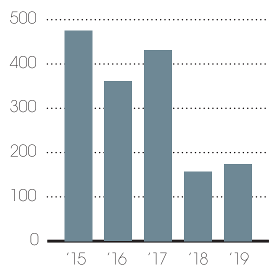
CONTENTS

NET SALES (SEK millions)



SEK 6,064 MILLION

PROFIT AFTER FINANCIAL ITEMS (SEK millions)



SEK 174 MILLION*

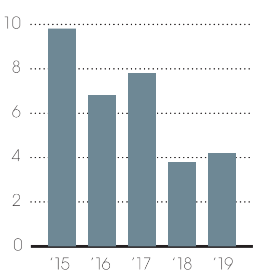
PRODUCTION FACILITIES

18 (in 14 countries)

OWN ACTIVITIES

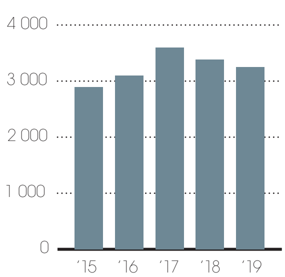
28 countries

OPERATING MARGIN (%)



4.2%

NUMBER OF EMPLOYEES (average)



3,247 PEOPLE

WORKING MODEL

4,369 SHAREHOLDERS

71% **29%**

*) In 2019 non-recurring items have had a positive impact with a net effect of SEK 14 million regarding final settlement acquisition purchase consideration D Lindner companies (SEK 42 million in Q1), capital gains on property sales (SEK 42 million in Q2, SEK 2 million in Q4) and restructuring costs for the growth and efficiency program (SEK -3 million in Q1, SEK -6 million in Q2, -13 million in Q3 and -48 million i Q4).

IN ORDER TO DEVELOP AND NURTURE long-term business relations, for years ITAB has worked according to a model based on co-operating closely with its customers and their markets. The project management function, which is a central element in the model, makes it possible to offer all-inclusive solutions with responsibility for the entire process, from concept to ready-made shop.

ITAB 2019 IN BRIEF

The market has been challenging in 2019, characterized by shorter-term planning and reduced order values. The changes in customer behaviour in recent years has meant that the Group has had to focus on adapting its entire value chain to the new environment. This transformative effort was initiated in 2020, and it will continue in the years to come as part of the implementation of the new strategy.

ITAB GROUP IN FIGURES

		2019	2018
Net sales	SEK million	6,064	6,031
Growth	%	1	-5
Operating profit	SEK million	257	230
Operating margin	%	4.2	3.8
Profit after net financial items	SEK million	174	157
Net profit after tax	SEK million	120	97
Cash flow from operating activities	SEK million	478	500
Cash flow from operating activities excl. IFRS16 Leases	SEK million	353	500
Interest-bearing net debt	SEK million	2,509	2,104
Interest-bearing net debt excl. IFRS16 Leases	SEK million	1,755	2,104
Equity/Asset ratio	%	31.8	32.2
Share of risk-bearing capital	%	35.4	36.2
Return on equity	%	6.9	5.4
Earnings per share	SEK	1.17	0.88
Dividend per share	SEK	-	-
Equity per share	SEK	17.07	15.61
Share price at the end of the period	SEK	16.82	15.00
Average number of employees during the year	Number	3,247	3,384

In 2019, one-off items impacted the result after financial items by SEK 16 million. In 2018, one-off items impacted the operating result by SEK -8 million and the result after financial items by SEK -14 million. The one-off items are detailed on p. 58.

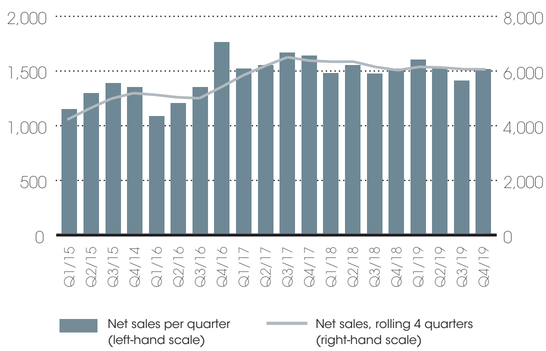
SUMMARY 2019

- **NET SALES** increased by 1% to SEK 6,064 million (6,031).
- **OPERATING PROFIT** increased to SEK 257 million (230).
- **PROFIT AFTER FINANCIAL ITEMS** increased to SEK 174 million (157).
- **EARNINGS PER SHARE** increased to SEK 1.17 (0.88).
- **CASH FLOW FROM OPERATING ACTIVITIES** decreased to SEK 478 million (500).

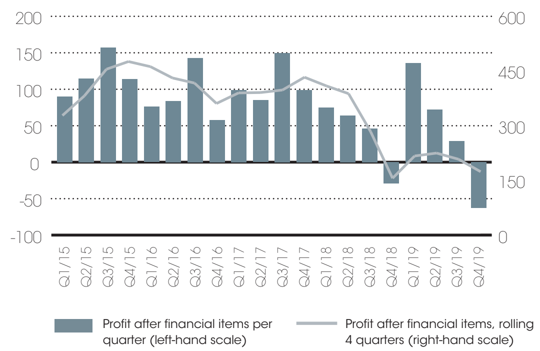
STREAMLINING PROGRAMME

- The growth and streamlining programme that was launched in 2018 and continued throughout 2019 is now completed, but the net effect has been insufficient. The reason for this is that the growth part of the programme and the associated resource allocations have not brought the expected gains. The programme has therefore been re-evaluated in view of 2020 business targets.

▼ **NET SALES (SEK millions)**



▼ **PROFIT AFTER FINANCIAL ITEMS (SEK millions)**



Q1	Q2	Q3	Q4
▶ **NET SALES**	▶ **NET SALES**	▶ **NET SALES**	▶ **NET SALES**
SEK 1,603 million (1,481)	SEK 1,531 million (1,554)	SEK 1,413 million (1,475)	SEK 1,517 million (1,521)
▶ **OPERATING PROFIT**	▶ **OPERATING PROFIT**	▶ **OPERATING PROFIT***	▶ **OPERATING PROFIT***
SEK 158 million (90)	SEK 93 million (83)	SEK 45 million (64)	SEK -39 million (-7)
▶ **PROFIT BEFORE TAX**	▶ **PROFIT BEFORE TAX**	▶ **PROFIT BEFORE TAX***	▶ **PROFIT BEFORE TAX***
SEK 136 million (75)	SEK 72 million (64)	SEK 29 million (46)	SEK -63 million (-28)

**2019 was affected by IFRS 16 Leases. In accordance with the modified retrospective transition method the comparative figures are not recalculated. For additional information, see Note 22.*

In 2019, a final agreement regarding purchase sums for acquisitions had a net positive impact on the result after financial items totaling SEK 16 million D Lindner companies (SEK 42 million in Q1), profits from the sale of properties (SEK 42 million in Q2, SEK 2 million in Q4) and restructuring costs (SEK -3 million in Q1, SEK -6 million in Q2, SEK -13 million in Q3 and SEK -48 million in Q4). During the comparison period, the result after financial items was positively impacted in Q1 2018 with a net effect of SEK 15 million due to the sale of properties and restructuring in Belgium. The final negotiation of the additional purchase sum in conjunction with the acquisition of La Fortezza was carried out in Q2 2018, which had a positive impact on the result after financial items of SEK 14 million. During Q4, negotiations have taken place regarding the additional purchase sum for the D Lindner companies, which had a positive impact on the result after financial items of SEK 20 million. In Q4, the result after financial items was negatively impacted by restructuring costs to the amount of SEK -63 million, attributable to restructuring costs related to the growth and streamlining programme.

SUMMARY PER QUARTER 2019

▶ **Q1.** Sales increased by 8% compared with the corresponding period of the preceding year. Sales increased in all geographies with the exceptions of Northern Europe, which reported sales in parity with the preceding year; and the Rest of the World, which saw a slightly worse performance. The operating profit increased to SEK 158 million (90), mostly due to the increase in sales and the SEK 42 million repayment of the purchase price related to the acquisition of lighting companies D&L Lichtplanung och D Lindner. The growth and streamlining programme impacted the result with SEK 3 million of direct restructuring costs.

▶ **Q2.** Sales decreased by 1% compared with the corresponding period of the preceding year. Sales decreased in Northern Europe and increased in Central Europe, while other geographies were on par with the preceding year. The operating profit increased to SEK 93 million (83). The result was positively impacted by SEK 42 million in profits from the sale of properties. The result was negatively impacted by SEK 6 million in direct restructuring costs, attributable to the growth and streamlining programme, and a less favourable market mix. Important agreements were signed with Megamark Group and Circle K.

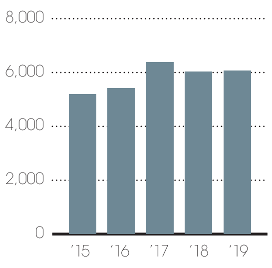
▶ **Q3.** Sales decreased by 4% compared with the corresponding period of the preceding year. Sales decreased in Northern Europe and increased in Southern Europe, while other geographies were on par with the preceding year. The operating profit decreased to SEK 45 million (64). The result was negatively impacted by the performance of sales as well as by the large proportion of new customers, which initially are resource-intensive. The growth and streamlining programme impacted the result with SEK 13 million of direct restructuring costs. On 1 September, Andréas Elgaard assumed the position of new CEO and President of ITAB. A new five-year bank contract was signed with Nordea, to the amount of MEUR 200.

▶ **Q4.** Sales were on a par with the preceding year. Sales rose to a degree in Southern Europe, Eastern Europe and Great Britain, and decreased in Northern Europe. Other geographies reported sales in parity with the preceding year. The operating profit decreased to SEK -39 million (-7). The result was negatively impacted by restructuring costs to the amount of SEK 48 million, mostly attributable to the write off of assets; organizational changes; and reductions in staff which aim to align the group to its future direction. The result was positively impacted by SEK 2 million in profits from the sale of properties.

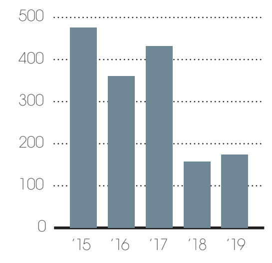
CEO ANDRÉAS ELGAARD ON 2019 AND OUTLOOK

During my initial period at ITAB, my focus has been to understand the market, get to know the company and evaluate the current strategy and business model. My conclusion is that our main challenge is not growth or size; our challenge is to be effective with acceptable profitability in the current market dynamics. The market is characterized by shorter-term planning and reduced order values, as well as greater need for flexibility and short lead times. It places higher demands on the whole value chain, from the sales process to purchasing, production and delivery, something on which we will be placing greater focus in the future. Following the change in behaviour of our customers in recent years, it is clear that we at ITAB need to consolidate our operations and place broad focus on driving synergies and internal efficiency.

▼ NET SALES (SEK millions)



▼ PROFIT AFTER FINANCIAL ITEMS (SEK million)



OUR DEVELOPMENT

The operating profit for 2019 is in line with the previous year, fourth quarter is not as good. We see a distinct trend in long-term customer programs being replaced by lower-volume projects, demanding changes in our ways of working in order to maintain cost-effectiveness. At the same time, shopfitting prices are under pressure in most of our markets. ITAB has a competitive advantage with its varied portfolio and comprehensive offer of products and services, which eases the pressure in a demanding market climate. This year's results have been negatively impacted by having added considerable resources to support our development of new customers and markets, whilst the United Kingdom – one of our key markets – has faced has faced real difficulties with the impact of the current political uncertainty. Furthermore, the establishment of a new production facility in China has impacted the results through moving and startup costs, as well as doubled factory costs during the set-up period.

The growth and streamlining programme, launched in 2018 and progressed during 2019, has been completed, but with a weaker than expected net impact. The reason for this is that the growth section of the program and its associated investments failed to give the expected impact. The program has therefore been reappraised ahead of 2020. Towards the end of the year, we started work on further activities relating to the downsizing of our organization, and have begun restructuring parts of our value chain. The direct restructuring costs in 2019 totalled SEK 70 million.

During 2019, company turnover increased by 1 percent on the previous year, while the currency-adjusted turnover fell by 1 percent. Northern Europe weakened, Southern and Eastern Europe and the UK grew slightly, while other markets saw sales comparable to the previous year. At the customer group level, sales increased by 5 percent on the previous year for Grocery, our largest customer group. Home improvements shrank by 13 percent and Fashion by 12 percent. Other customer categories grew by 11 percent, mainly within fuel stations, cafés and restaurants.

Our work to free up capital has resulted in lower capital ties during 2019, mainly by focusing on reduction of working capital, but also through sale of real estate. In doing so, stronger cashflow was achieved, meaning net liability is lower than the previous year. This work will continue to be important during 2020. To further strengthen the balance sheet, the Board recommends issuing no dividend for 2019.

OUTLOOK

For many years we've grown through acquisitions, but we have not fully consolidated all of these into one combined and effective entity. Since acquisitions have proven such a successful model, it is only in hindsight that we see how consolidation work should have begun earlier. We must improve how we take advantage of economies of scale, and implement connected ways of working to better leverage our capabilities. This work lies ahead, and will set the tone for 2020-22, as well as for our financial goals.

Growth and acquisitions will not feature heavily in the coming years; instead our priorities will be consolidation, focus on profitability, and transformation. We will be working on our structures, our ways of working, and our approach to how we meet the new customer demands; a transformation of our market position, our offer, our competence and our industrial capacity. This ongoing strategic work can also impact the valuation of certain balance sheet items.

Our work towards a new strategy and transformation plan goes by the name of One ITAB. The strategy will be our guiding star in the coming years, and will govern the direction and speed of travel for our journey to becoming a modern, cost-effective and even more strongly positioned ITAB. A new organizational structure has been launched to support ITAB's transformation, and as part of this, a new and extended executive board has also been appointed.

The outbreak of Covid-19 (coronavirus) has affected the Group during the start of 2020. The demand for the company's products has been reduced, which has led to announcement of redundancies, temporary lay-offs of employees and reductions of temporary workers. It is difficult to predict the consequences of Covid-19 but they will have a significant financial impact on the Group.

We already have a unique market position that we can build upon and strengthen further through more consistent implementation across all markets. I am convinced that there is real potential for market growth in the long term; however the current market climate and our transformational work both mean we cannot expect significant improvements in our key figures during 2020.

Andréas Elgaard,
CEO & 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 PERFORMANCE

During 2019, ITAB's share increased from SEK 15.00 to SEK 16.82. Based on the closing price on 31 December 2019, the total value stood at SEK 1,722 million (1,536). The highest price paid during the year was quoted on 21 May 2019 at SEK 32.00, and the lowest price was quoted on 29 January at SEK 10.62.

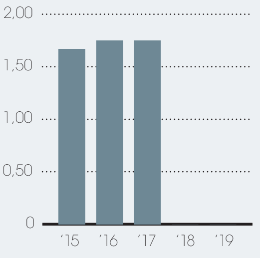
SHAREHOLDERS

The ten largest shareholders held 92.84 per cent (91.40) of the votes and 78.90 per cent (74.65) of the capital. Institutional ownership made up 5.12 per cent (5.41) of the votes and 15.10 per cent (15.96) of the capital.

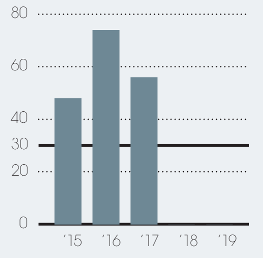
DIVIDENDS

- The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2019 financial year. No dividend paid for the 2018 financial year.
- 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)

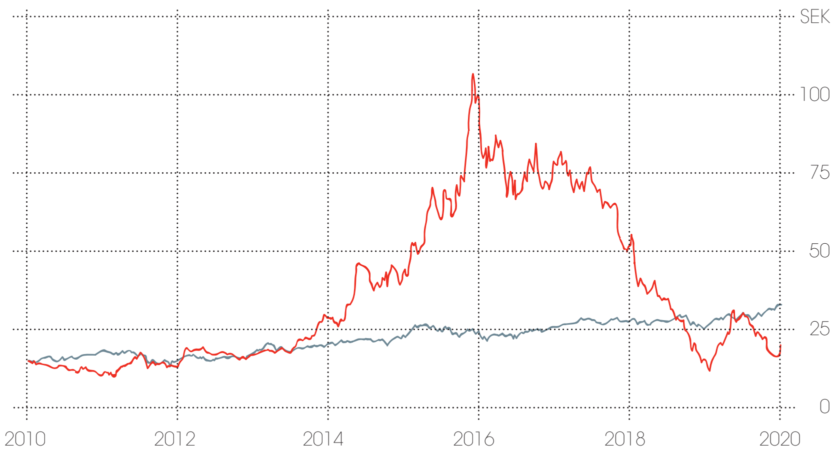


DIVIDEND AS A PERCENTAGE OF NET EARNINGS (%)



▶ 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 31-12-2019

▶ **SHARE PRICE ON CLOSING DAY**
SEK 16,82 per share

▶ **ALL TIME HIGH (UP TO 2019)**
SEK 112.33 (03-12-2015)

▶ **TRADING LOT** 1 share

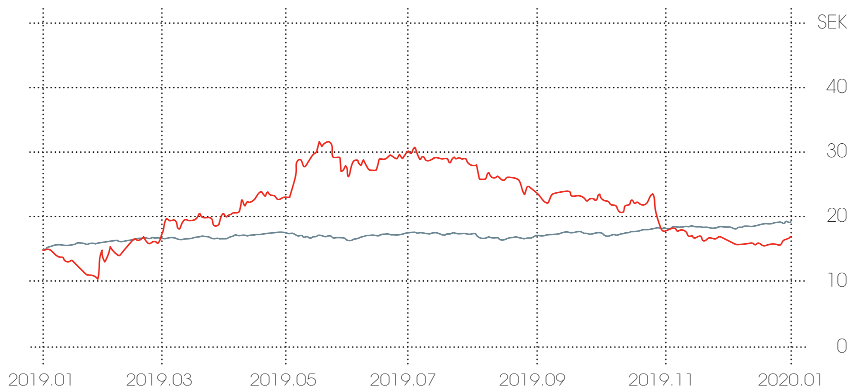
▶ **LISTING** Nasdaq
Stockholm's Mid Cap list

▶ **TICKER SYMBOL** ITAB B

▶ **SECTOR CLASSIFICATION**
Industrial Goods & Services

▶ **ISIN CODE** SE0008375117

▼ **SHARE PERFORMANCE 2019**



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

▶ **SHARE PERFORMANCE AND DIVIDEND.**
The average price on the first trading day, 28 May 2004, was approx. SEK 5, compared to SEK 16.82 which was the most recent price paid in 2019. 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.

SHAREHOLDERS 31-12-2019

Namn	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	5,836,601		5,836,601	5,836,601	1.93%	5.70%
Stig-Olof Simonsson with company	5,050,338		5,050,338	5,050,338	1.67%	4.93%
Kennert Persson	3,782,200		3,782,200	3,782,200	1.25%	3.69%
Öhman Fonder	2,732,392		2,732,392	2,732,392	0.91%	2.67%
Försäkringsaktiebolaget Avanza Pension	1,932,892		1,932,892	1,932,892	0.64%	1.89%
Tredje AP-fonden	1,305,645		1,305,645	1,305,645	0.43%	1.28%
Christer Persson with family	1,067,875		1,067,875	1,067,875	0.35%	1.04%
Other	21,604,829		21,604,829	21,604,829	7.16%	21.10%
	102,383,430	**22,166,400**	**80,217,030**	**301,881,030**	**100.00%**	**100.00%**

Each A share entitles the holder to 10 votes, each B share to 1 vote. Institutional ownership made up 5.12 (5.41) percent of the votes and 15.10 (15.96) percent of the capital as of 2019-12-31.
The stated number of shares refers to the holding as of 31 December 2019, and includes, when applicable, holdings through companies, spouses and minor children.

DISTRIBUTION OF SHARES 31/12/2019

Share holding	No. of share-holders	No. of share-holders (%)	Number of shares	Number of shares (%)
1-1,000	2,953	67.59%	694,514	0.68%
1,001-5,000	875	20.03%	2,095,969	2.05%
5,001-10,000	250	5.72%	1,862,419	1.82%
10,001-50,000	216	4.94%	4,416,649	4.31%
50,001-100,000	28	0.64%	1,946,141	1.90%
100,001-	47	1.08%	91,367,738	89.24%
TOTAL	**4,369**	**100.00%**	**102,383,430**	**100.00%**

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

KEY RATIOS

	2019	2018	2017	2016	2015
Regular dividend	-[1]	-	1.75	1.75	1.67
Dividend as a percentage of net earnings	-[1]	-	56	74	48
Average number of outstanding shares	102,383,430	102,383,430	102,383,430	102,076,876	101,719,230
Actual number of shares at year-end	102,383,430	102,383,430	102,383,430	102,383,430	101,719,230
Share price on closing day (SEK)	16.82	15.00	51.75	81.25	100.67
Market capitalisation at the end of the year (SEK millions)	1,722	1,536	5,298	8,319	10,240
Highest/Lowest price	32,00/10,62	59,00/12,20	86,00/48,90	98,67/62,75	112,33/42,75
Direct yield (%)	-	-	3.4	2.2	1.7
Earnings per share	1.17	0.88	3.11	2.36	3.44
Equity per share	17,07	15,61	16,26	14,77	14,38

[1] *The Board's proposal for dividends for the 2019 financial year.*

CONVERTIBLE DEBENTURE LOANS

In 2016, all personnel at ITAB were offered the opportunity to participate in a convertible debenture programme with a term of 4 years.

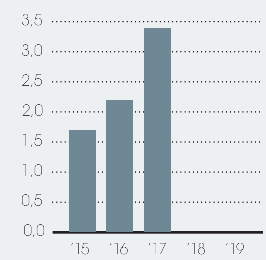
Subscription of convertibles was conducted during the period 26 May to 8 June 2016, and convertibles were subscribed to a total value of SEK 167.7 million.

The allocation was 1,950,000 convertibles, and each convertible can be converted into series B shares during the period 1 June 2020 to 12 June 2020 at the conversion price of SEK 86.

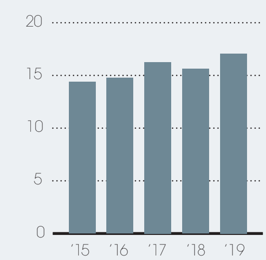
NUMBER OF SHARES AND RESULTS WITH CONVERTIBLE DEBENTURE LOANS

	2019	2018
Average number of outstanding shares		
before dilution (shares)	102,383,430	102,383,430
after dilution (shares)	104,935,434	104,333,430
Actual number of shares at year-end		
before dilution (shares)	102,383,430	102,383,430
after dilution (shares)	104,935,434	104,333,430
Earnings per share		
before dilution (SEK)	1.17	0.88
after dilution (SEK)	1.17	0.88

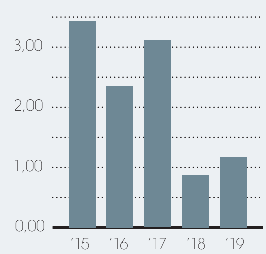
DIRECT YIELD (%)



EQUITY PER SHARE (SEK)



EARNINGS PER SHARE (SEK)



For definitions, see page 52.

ITAB - FOUNDED ON ENTREPRENEURSHIP & DETERMINATION

Strategic business development has made ITAB one of the leading suppliers of comprehensive retail trade solutions in Europe. Determination and gradual growth have resulted in a Group with a market presence in large parts of Europe.

ITAB's ORIGIN AND FOUNDATION

The foundations 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.

ITAB was previously one of the three branches of the corporate group ITAB Industri, now known as Xano Industri. The store interior fittings segment, which eventually would become ITAB Shop Concept, began its expansion during the 1990s when companies were acquired in the Nordic countries. In the early 2000s, expansion continued through organic growth as well as several acquisitions in Sweden, Finland, the Netherlands, the Czech Republic and other countries. In 2004, ITAB Shop Concept was distributed to the shareholders of ITAB Industri, and ITAB Shop Concept was listed on First North. The Group's expansion continued through acquisitions, for example in the UK and Germany. In 2008, ITAB changed the listing venue of its share to Nasdaq Stockholm. The growth continued throughout the 2010s as ITAB moved into new foreign markets and made new acquisitions.

TEN YEARS IN SUMMARY

NET SALES

Over the past 10 years, ITAB has increased net sales from SEK 2,748 million to SEK 6,064 million, corresponding to an average annual growth rate of 9 percent. A number of strategic acquisitions have been carried out over the years, within the framework of the clear growth strategy. Acquisitions in Germany and the acquisitions of Nordic Light, New Store Europe and La Fortezza Group have contributed to the positive development of sales. Over the years, a number of long-term agreements have been concluded with leading store chains. These from the basis of the position as one of the leading

European all-inclusive shop concept suppliers. The drive to create more efficient in-shop and shop establishment solutions is essential to the Group's growth and to the all-inclusive offer.

PROFITABILITY

Focusing on efficiency in the value chain has been prioritized in order to improve the long-term sustainability and profitability of the operations. In the beginning of the ten-year period, in 2010, the operating profit amounted to SEK 62 million which was the period's low point. At its highest, the operating profit was SEK 508 million (2015). The operating margin has fluctuated between a low point of 2.2 % (2010) and a high of 9.8 % (2015). The gradual improvement of the operating margin in the first part of the ten-year period was mostly due to the long-term effort to strengthen the gross margin through efficiency improvements. The margin trend was also due to an increased load factor in the Group’s production facilities and synergy effects in conjunction with acquisitions. The lower operating margin in recent years has mainly been attributable to a slowdown of growth related to market changes, which have resulted in depressed prices. Costs incurred due to the implementation of a major, Group-wide streamlining programme have also had a negative impact on the operating margin.

INVESTMENTS

Net investments, excluding business acquisitions, have amounted to, at most, three percent of net sales during the period. They have, for the most part, consisted of machinery with the focus on autonomous operation, high utilization of resources and best available technology. Investments related to business acquisitions have primarily been targeted at consolidating the company’s position as an all-inclusive shop fittings supplier to the Group’s selected markets, as well as strengthening and complementing the product portfolio in priority areas.

2006

2008

2011

2019

KEY PERFORMANCE INDICATORS 2010-2019

Key ratios	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net sales, SEK million	6,064	6,031	6,381	5,417	5,193	3,938	3,574	3,511	3,341	2,748
Average number of employees	3,247	3,384	3,599	3,097	2,829	2,441	2,277	2,194	1,751	1,512
Operating margin, %*)	4.2	3.8	7.8	6.8	9.8	8.3	6.9	6.7	5.7	2.2
Profit margin, %*)	2.9	2.6	6.8	6.7	9.2	7.3	6.1	5.8	4.6	1.1
Equity related to the Parent Company’s shareholders, SEK millions	1,748	1,598	1,664	1,512	1,463	1,225	997	885	559	459
Risk-bearing capital, SEK millions	2,089	1,942	2,044	1,896	1,667	1 406	1,128	1,020	886	730
Interest-bearing net debt, SEK millions	2,509	2,104	2,130	1,722	721	880	890	896	1,183	1,036
Balance sheet total, SEK millions	5,896	5,364	5,657	5,315	3,313	3,043	2 655	2,510	2,471	2,087
Equity/assets ratio, %	31.8	32.2	31.5	30.7	46.7	42.3	39.1	36.5	24.2	22.0
Share of risk-bearing capital, %	35.4	36.2	36.1	35.7	50.3	46.2	42.5	40.6	35.9	34.9
Return on equity, %	6.9	5.4	20.5	16.5	26.2	18.8	16.6	20.7	24.1	4.6
Net investments excluding business acquisitions	-7	100	194	182	110	80	88	64	48	76
Net investments attributable to business acquisitions	27	142	101	737	56	92	3	27	354	0

**) One-off items have had a positive impact on the operating result and the profit after net financial items to the amount of SEK 16 million in 2019. In 2018, one-off items had a negative impact on the operating result of SEK -8 million and a net negative impact on the profit after net financial items of SEK -14 million. In 2017, the operating result and the profit after net financial items were positively impacted by one-off items to the amount of SEK 35 million. In 2016, the operating result and the profit after net financial items were negatively mpacted by one-off items to the amount of SEK -95 million. The one-off items are presented on p. 58.*

MARKET 2019

In 2019, the Group's sales increased by 1% on the previous year, but currency-driven sales decreased by 1%. Long-term rollout programs with large volumes no longer characterize the market; instead a preference is shown for projects with smaller volumes. Many chains are adopting a wait-and-see approach when evaluating new store solutions.

Since 2018, ITAB has presented the distribution of the Group's revenues in two dimensions; distribution by customer category and distribution by geographical area. More information can be found in Note 6.

"The UK market is at the forefront of new retail trends, mainly because of their high penetration of e-commerce. The market leads in terms of efficiency improvements in stores and development of store environments with the aim to increase customer sales."

MARKET BY CUSTOMER CATEGORY

Customer groups Grocery and Other customer categories increased sales in 2019, while the customer groups Home improvements and Fashion saw a sales decrease on the year.

GROCERY

The customer group Grocery includes primarily grocery stores. Sales in Grocery increased by 5% in 2019. Central Europe contributed most to the increase.

HOME IMPROVEMENTS

The customer group Home improvements mainly refers to construction, furniture and home furnishing stores. This customer group decreased by 13% on the previous year. Most of the decrease occurred in Eastern Europe.

FASHION

The customer group Fashion refers to shops for clothing and footwear etc. Sales in Fashion decreased by 12% in 2019, mainly in the territories of Central Europe and the Rest of the World.

OTHER CUSTOMER CATEGORIES

Other customer categories include, for example, electronics, sports and leisure, pharmacies, fuel stations, offices, brands, industry, cafes and restaurants. Other customer categories increased sales by 11% in 2019, mainly within fuel stations and cafes and restaurants.

MARKET BY TERRITORY

Southern Europe, Eastern Europe and the UK increased sales during 2019, Northern Europe declined, while Central Europe and the Rest of the World are on par with the previous year.

NORTHERN EUROPE

Northern Europe is ITAB's most significant geographical area, with 27% of the Group's sales taking place across the Nordic countries. ITAB is the market leader in the area, both in the grocery and retail trades. In 2019 sales decreased, mainly within the customer group Grocery.

UK

The UK is the Group's second most significant territory, with 19% of the Group's sales. ITAB is the market leader in the food sector, and one of the major players generally in the retail industry in the region. The British market has clearly been impacted by political uncertainty in recent years. However, sales rose slightly in 2019, primarily within the customer group Other, where electronics and cafe and restaurant contributed most to the increase.

The UK market is at the forefront of new retail trends, mainly because of its high penetration of e-commerce. The market leads in terms of efficiency improvements in stores, and in the development of store environments which help to increase customer sales. Therefore, it has a great influence on interpreting crucial trends in the industry.

CENTRAL EUROPE

Central Europe accounted for 17% of the Group's sales in 2019. The area includes Germany, the Netherlands, Belgium, the Czech Republic, Hungary, Switzerland and Austria. In Central Europe, ITAB is among the major players in the food sector, especially in cash registers and products where ITAB has a market-leading position. ITAB's position is also strong in lighting in the region.

Sales to the largest customer group, Grocery, increased on the year; Fashion decreased, while sales to Other customer categories developed on a par with 2018.

SOUTHERN EUROPE

Southern Europe's sales represented 16% of the Group's business in 2019. In Southern Europe, Italy and France where the countries ITAB has the highest turnover. Other countries in the area include Spain, Portugal and Greece. In 2019, Southern Europe's sales increased slightly, evenly distributed across customer groups.

EASTERN EUROPE

Eastern Europe accounted for 12% of ITAB's turnover in 2019, with Russia, Poland and the Baltic countries having the highest turnover. Other countries in the area include Romania, Slovakia, Croatia, Serbia and Bulgaria. The customer categories that are ITAB's largest in Eastern Europe is Home improvements and Grocery. Sales to Home improvements decreased compared to the previous year, while Other customer categories increased.

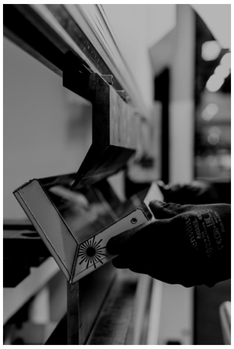
REST OF THE WORLD

The geographical area of the Rest of the World includes all countries outside Europe. The countries in which ITAB has the largest turnover are the USA, China and Argentina. The rest of the world accounted for 9% of the Group's sales in 2019.

INCREASING MARKET
One of the customer groups increasing most significantly in 2019 was fuel stations.

FLEXIBLE PRODUCTION FOR CUSTOMER-SPECIFIC SOLUTIONS

ITAB currently has 18 production facilities in 14 countries. Through these facilities, customers are offered unique and effective solutions with high quality and flexibility.



▲ **ITAB HAS** 18 production facilities in 14 countries. Through units produced in-house, ITAB can control production and quality, thus adhering to agreed delivery times.

Thanks to ITAB's network of production units, it is possible for them to benefit from each other's strengths, and to transfer knowledge between countries and their production capabilities. The Group's production elements include:

- Timber production for interior decor
- Metal production for interior decor and checkout counters.
- Electronics for lighting

Any final assembly of products takes place where the highest cost efficiency is achieved, or, alternatively, where the final customer adaptations are made. All of this goes towards achieving the most efficient and sustainable solution possible for the end user.

With such broad capacity on hand, considerable skills and knowledge have been developed in crucial production areas, which is required to be able to supply complete stores. Examples of this are:

- Metal: laser, hole-punching, edge pressing/bending, welding, powder coating and mounting.
- Timber: sawing/nesting, edge molding, CNC milling, drilling, lacquering and mounting.
- Electricity (lighting): PCB manufacturing, SMT (Surface Mount Technology), powder coating and mounting.

In lighting, IITAB also has the capability to manage the certification process itself and test the products before sale (the so-called 'burn-in' process). This creates considerable opportunities for strong quality control.

ITAB is constantly working to improve efficiency and to find the most optimal and market-adapted supply and value chain. Over the past ten years, the manufacturing units have switched from volume production with few orders and large production batches to a more flexible production, focused more on manufacturing at a smaller scale but with increased order numbers.

The market is increasingly demanding customized solutions due to the growing trend of establishing smaller stores at city-center locations. The restructuring of ITAB's production units has been carried out to more accurately follow the development of customer demand, which has gone from larger rollouts of brand new stores to more project-based purchases.

At the same time, ITAB wants to be the partner that can satisfy customers with both standard products and completely customdesigned solutions in wood, metal, acrylic or other materials, and have these complex designs delivered from one and the same supplier. This reduces administration and simplifies customer purchasing and logistics.

The coordination of the Group's remaining volume production creates cost-effective manufacturing with high availability, while local, flexible production facilities are adapted to the specific needs of the local market areas. Through this capability, ITAB wants to be a long-term partner to its customers, enabling them to benefit from both global presence and local production.

ITAB'S MARKET PRESENCE & OPERATIONS 2019

Market Presence
Sales Office
Headquarters
Production & Sales

THE ABILITY TO THINK LONG TERM IN A CHANGING WORLD

Retailing continue to evolve. The customer experience, making sustainable choices and improved service are becoming more crucial factors for the consumer as they choose between online shopping and the physical store. Successful retailing is becoming more about offering an experience where online and physical stores work together.

The increase in online commerce is mainly driven by price and convenience. This means that the retail sector must develop towards offering experiences, entertainment and a higher level of service in order for the consumer to spend time in physical stores in the future. Building and strengthening brands in physical stores is crucial to creating a seamless journey where stores and online retail grow together to provide a strong offer to the consumer.

Food, entertainment, shopping and socializing are becoming more combined, and there is a need to be able to do everything in the same place for increased convenience.

In grocery and other sectors, this drives demand for more innovative store concepts, either for new establishments or for redevelopments, as well as for in-store digital developments. This is particularly key in more mature market sectors, where the ability to create interaction with consumers becomes crucial. ITAB's strategy, strong position and overall perspective on the consumer experience fits well with the market's transformation, as the entire store must function as a seamless customer journey.

ITAB's customers place high demands on market presence, production capacity, efficiency, delivery reliability and a strong offer. A comprehensive portfolio comprising of interior design, checkouts, lighting and interactive digital applications is required to be able to create solutions to increase sales, design more efficient stores, improve service and heighten customer experience. With its holistic offer and expertise, ITAB has the ability to create long-term customer relationships. Central to ITAB's offer is to be a leader in the creation of customer experiences that strengthen and defend store's role as the primary purchasing channel, and to utilize new technology for the benefit of retailer and consumer alike.

GLOBAL, YET LOCAL

ITAB's strong market position and growth potential are based on close and long-term cooperation with customers. Our focus is on acting as a 'one stop' supplier where a complete range of solutions and products are provided. ITAB's offer is based on supporting all the customer's needs in the creation of a complete customer journey. With an established working model and flexible production, ITAB can follow larger customers into new markets with a maintained level of service.

LONG-TERM CUSTOMER RELATIONSHIPS

Among ITAB's customers are several of Europe's largest retail chains and brand owners in both grocery and specialist retail, including national as well as international chains and brands. Among these customers are: Albert Heijn, Asda, Auchan, Axfood, C&A, Carrefour, Celesio, Circle K, Clas Ohlson, Conad, Coop, Costa, Dixon, Dollarstore, Edeka, Elon, Etos, Finiper, H&M, Homebase, ICA, IKEA, Intermarche, John Lewis, Jumbo, Kesko, LeClerc, Leroy Merlin, Lidl, LuLu, Majid Al Futtaim, Metro Group, Morrisons, NorgesGruppen, O'key, Pandora, Prisma, Polestar, Real, Rema, Rewe, Rimi, Sony, System U, Tesco, Tiger, Uniqlo, Waitrose.

COMPETITORS

ITAB's competitors are found in most territories and across several different product areas. Competitors are, among others: 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 och Fujitsu.

REBUILDING & RENOVATIONS

A large part of ITAB's business is based on renovations and rebrands of store chains. ITAB's assessment is that this element will be even greater in the future. In addition, stores are demanding more and more technology and more efficient solutions in the checkout area. More than others, grocery stores choose to replace and renovate one department at a time, seeking to achieve as little impact as possible on trading. These types of sales fit ITAB's competence and organizational model well with local and flexible production units.

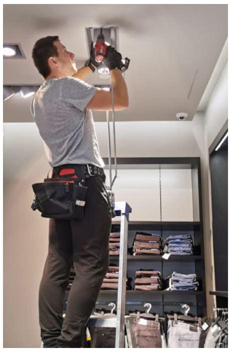
CIRCULARITY AND ENERGY SAVINGS

In lighting, ITAB offers assembly, recycling and extensive energy savings by replacing existing fittings, which are recycled after disassembly, with new, more energy efficient LED fittings. The work often happens at night after the store closes, and is completed before it opens for trading the next day.

SUSTAINABLE CHOICES

The consumer increasingly expects retail chains to take responsibility for the entire supply chain. Sustainable manufacturing processes, good working conditions and sustainable choices of raw materials are increasingly requried. Retail chains are transferring these increased demands onto their suppliers, and this is also being reflected in the design and implementation of new store concepts.

In recent years, ITAB has developed a sustainability program, supporting both business processes and customer requirements. The program is Group-wide, and each business works locally with different focus areas to meet the requirements of their own respective markets. When choosing materials for store concepts, sustainable and recyclable materials are increasingly available. ITAB takes these options into account in the design and construction phase when developing concepts or products, and seeks to advise its customers during the development process to achieve increased sustainability. More about sustainability work on page 24.



▲ **A BRIGHT EXAMPLE**
Over the course of six weeks, ITAB Poland assisted a customer with switching all lighting to LED in 50 stores. Read more on page 27.

THE FUTURE OF THE PHYSICAL STORE IS ONLINE

Consumer behavior is changing faster than ever. Digital technology is used before, during and after the purchase. Demands to get help and make sustainable choices are increasing, and online shopping is a growing option in terms of price and convenience.

FROM THE CLASSIC SHOP TO MEETING PLACE AND TIME FOR SOCIALIZING

▲ **MOBILE COMPANION**
This interactive solution allows the customer to control the store's digital screen by scanning a QR code with their mobile phone. In this way, an online solution works in a physical environment. The screen can also be placed in the store's shop window, where the customer can control the screen from outside, generating sales around the clock.

The role of the store is changing to meet rising expectations, and is transformed more towards a place for inspiration, information, service and social interaction. The consumer places higher demands on the availability of goods and expects choice and simplicity in their purchases.

To meet market demands, IITAB is developing more efficient service solutions to improve the in-store experience by offering, among other things, guidance throughout the whole shopping experience, and self-service options based on consumer benefit. Analysing and taking advantage of insights and knowledge on consumer behavior is becoming increasingly central to ITAB.

Many chain stores choose to cut down on their total store area by establishing smaller, and sometimes even fewer, stores. However, a clear trend is that store chains tend to invest significantly more in interior design and interactive solutions in the stores that remain. This means that the level of investment compared to available retail space will be significantly higher than before. An ever-decreasing part of the budget is spent on premises, with investment instead going towards store equipment. The market is also showing signs of seeking new models for rental for premises, and adapting it to the level of turnover in order to support the development of physical commerce in the future.

E-TRADERS ESTABLISH PHYSICAL STORES

Although e-commerce has expanded significantly in recent years, the majority of retail sales are expected to continue to take place in physical stores. A clear trend over the past year is that more online companies and e-retailers have realized the importance of having physical stores in order to optimize the distribution of goods to consumers, as well as to build their brand profile.

ONLINE + OFFLINE = TRUE

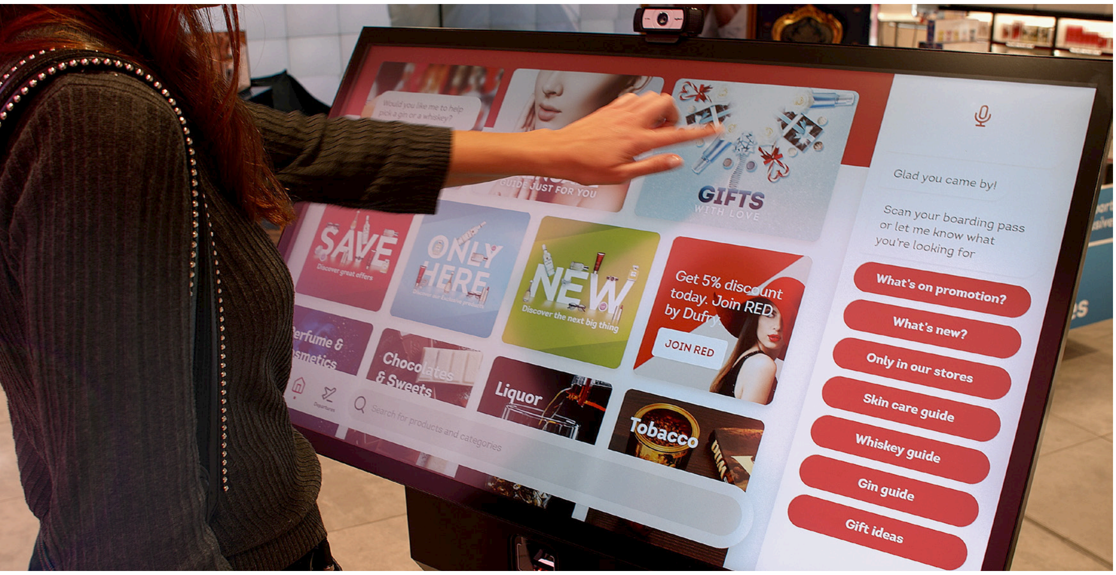
Tolerance of run-down stores, inferior shopping experiences and long queues continues to decrease. As a result, the level of store concepts has been increased, both in rebuilding and rebranding, which is a major part of ITAB's operations.

ITAB wants to deliver a coherent and well-thought-out solution where the store's design is linked to a unified digital store experience. Here, ITAB and the customer can create a consumer journey together, where online and offline work together. Starting with a design of the experience and customer journey is becoming a more important and more central part of such projects. Within the Group are several design centers, all with considerable expertise in designing the stores not just of today, but also of the future.Here, interior designers, lighting designers and graphic designers work in competence centers across the Group. It all starts with understanding, knowledge and insights into consumer behaviour.

EFFECTIVE STORE SOLUTIONS

The trend of increased convenience store establishments in the grocery sector continues in Europe, as does the establishment of smaller city stores in various retail segments such as DIY. This means that the demand for efficient store solutions is increasing. FFor many stores, the greatest opportunity for efficiency is in its checkout area, which at ITAB is called 'Guidance & Checkout'. A larger proportion of shop staff is to be found here. With, for example, self-checkout solutions, staff can be freed up to work with more sales-driven activities in the store instead. ITAB also offers other products to make stores more efficient such as flexible entrance systems as well as various digital products.

Smaller store space also means a greater demand to be able to show a complete range without having everything in stock. offers what the industry calls an Endless Aisle solution, where the entire range is displayed on digital screens. With our Endless Aisle solution, the customer can find detailed product information, as well as make purchases that can be delivered to their home or picked up in store; the result is increased convenience for the shopper, and a more efficient store.



A STORE WITHIN THE STORE
Endless Aisle is a digital extension of the store. The service is mainly aimed at the retail sector where a store does not have the entire range on location. Here, the customer can easily read more about products, or order either to the store's collection system or directly to their door. The combination of shopping online in-store is becoming increasingly important as chains choose to establish smaller, more centrally-located stores.

DIALOGUE AND CLOSE COOPERATION FOR A SUSTAINABLE ITAB

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 is continually taking place. The main issues and areas raised in these discussions are set out in the graphics 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 2019, 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 of 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 will be a leader in the transition to the sustainable store.

Sustainable business development means that ITAB, through its concept and product portfolio, can develop the shop solutions of the future through energy and cost-saving products and systems based on more and more sustainable materials.

Throughout the design and development of products, optimizations are made to ensure that the products are sustainable and energy-efficient. The use of raw materials is optimized with consideration to their environmental impact and and customer requirements. The product development work is often carried out in very close cooperation with the customer and with a focus on considered solutions, good features, user friendliness, ergonomics and efficiency.

The environmental impact of a product is decided, to a large extent, by the raw materials used. The wood producing units are, for example, working to ensure that the demands regarding environmentally sound, economically viable and socially responsible forestry practices are met, through FSC certification. Three of ITAB's major wood production units are currently certified.

The choice of lighting system significantly affects energy and maintenance costs in a shop. Shops are placing ever greater emphasis on energy efficiency during new construction and refurbishments. Switching to LED systems creates major opportunities to save energy, both on the lighting itself but also on ventilation, since the reduced amount of heat generated by the LED systems also reduces the cost for ventilation in the shop. ITAB's sales of LED systems have increased considerably in recent years, and comprise 100 percent of the Group's total sales of lighting today.

HIGH ENERGY SAVINGS

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

ITAB’s installations are now almost entirely made up of LED technology, allowing energy consumption to be reduced significantly compared to previous technologies. This means that the investment can pay for itself in around 2-3 years. For a medium-sized shop, this also entails a reduction of its climate footprint of around 9 tonnes of carbon dioxide per year.

GLOBAL OBJECTIVES: SUSTAINABLE BUSINESS DEVELOPMENT

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

ITAB SUPPORTS THE WILDHOOD FOUNDATION

Wildhood Foundation is a Swedish based, non-profit organization fighting poaching and trafficking of threatened species of wildlife.

Wildlife trafficking is a global problem, and is considered to be one of the world's largest criminal businesses today. The trade is driven by a rising demand in Asia, where the last decade's strong economic growth has made it possible for more people to attempt to buy parts of wild animals for traditional medical purposes, and as status symbols.

ITAB has held two events in 2019 and 2020 to support and promote the Wildhood Foundation's efforts. The first one was a project in the middle of Kungsträdgården in Stockholm; the other one was an exhibition at EuroShop, the world's most important retail trade fair, together with Messe Düsseldorf.

ITAB Shop Concept Sweden supplied 55 large elephants made of plywood from an FSC-certified forest in order to raise money to stop poaching. At the trade fair in Germany, companies and private consumers also had the opportunity to `adopt' a baby elephant, made of FSC-certified wood, where the entire sum was donated to the Wildhood Foundation's work in supporting Akashinga, the unit of female park guards who protect the elephants in one of the largest remaining populations of elephants in the Lower Zambezi Valley in Zimbabwe.

WILDHOOD
FOUNDATION

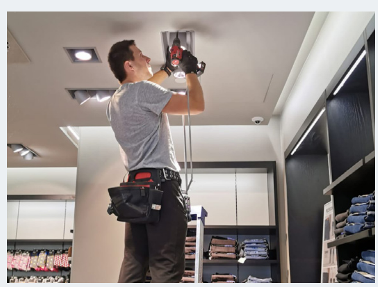
BRILLIANT PROJECT

Recycling and upgrading.

In 2019, ITAB Poland and Nordic Light (part of the ITAB Group) implemented the first phase of a comprehensive recycling and upgrade programme for a major chain store. The stores have on average 1,000 spotlights with metal halide lamps. These are dismantled, recycled and replaced with new, modern LED spotlights resulting in energy savings of up to approximately 50 percent.

ITAB has been responsible for the planning, dismantling, and recycling as well as the delivery and installation of the new spotlights. To be able to keep the shops open, the work has been conducted between 10 PM and 07 AM, outside the shops' operating hours.

The entire project encompassing 50 shops was carried out in six weeks, in close cooperation with the customer.



▶ **SUSTAINABILITY GOALS.** ITAB will be a leader in resource-efficient production and transport.

FOCUS AREA:
VALUE CHAIN EFFICIENCY

ITAB aims to help its entire value chain achieve improved efficiency through responsible choice of suppliers, raw materials, production processes and transport. For many years, the Group's companies have taken a serious approach to environmental and social responsibility, striving for long-term sustainable operations.

SUSTAINABILITY REQUIREMENTS FOR SUPPLIERS

Ensuring sustainability throughout the value chain is important for ITAB. Projects often begin with ensuring that the Group's suppliers conduct their operations in accordance with ITAB's sustainability requirements. ITAB has worked for some years with a supplier policy applicable across the whole Group. The policy describes basic requirements that ITAB sets for its suppliers, and includes requirements on their environmental work. In 2019, approximately 721 (715) suppliers have had their environmental credentials examined.

ENERGY EFFICIENT PRODUCTION

For a producer such as ITAB, it is important to both reduce energy consumption overall, and to increase the proportion of renewable energy used. Active work in these areas is undertaken from both an environmental and cost-effectiveness perspective. The Group's production facilities are equipped with modern systems to reduce energy consumption and increase the efficiency of various resources. The majority of the Group's operations employ systems in which renewable energy is used. Reduction of energy consumption is pushed for across the Group, and coordination of this work takes place at Group level. There is a simultaneous and ongoing exchange of knowledge with customers, as well as conversations regarding ambitions and expectations in terms of sustainability. There are multiple projects leading to reduced energy consumption, one of which aims to reduce heating costs in the Group's powder facilities. Examples of measures taken include using circular facilities for water supply, and working with methods allowing for reduced heating in the pre-treatment process. Another ongoing project is to switch all lighting to LED, which offers 30-40% lower energy consumption.

TRANSPORT

A significant part of the Group's indirect emissions arise from transport to and from production facilities. Group companies work actively to reduce emissions while ensuring effective transport, and transport options are considered from both a cost and environmental perspective. For long-distance transport, for example from China to Europe, sea and rail freight is preferred, while air freight is avoided where possible. As ITAB has a local presence of production facilities close to its customer base, reduced freight distances to customers are achieved. The opportunity to produce locally, and minimize the environmental impacts of freight, is a consideration gaining more traction in contract negotiations with customers.

GLOBAL OBJECTIVES: VALUE CHAIN EFFICIENCY

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. As far as ITAB is concerned, this is mainly taking place within the focus area value chain efficiency, which relates for example to efficiency in respect of energy and material issues along with overall social and environmental responsibility in the value chain.

100 PERCENT DEGRADABLE PACKAGING

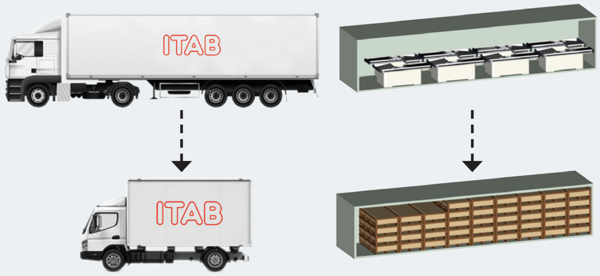
ITAB Netherlands is focusing efforts on cornstarch-based packaging.

Many kinds of wrapping and packaging materials are used to protect the components and products needed for a shop installation. As part of the effort to minimize waste and to find sustainable packaging alternatives, ITAB Netherlands has started to replace polystyrene and corrugated board with cushioning made from cornstarch. Bio-degradable in eight weeks.

Laurence van der Schee, Purchase Manager at ITAB Netherlands, explains: *"Packaging material is a major source of waste in our organization. That is why we, along with our suppliers, have switched to more sustainable alternatives in 2019. The packaging material is made from recycled or even bio-degradable raw materials. This is a very positive development which will reduce our total volume of waste drastically."*

50 PERCENT MORE CARGO SPACE FROM ITAB ITALY

About one third of all ESA checkout counters supplied by ITAB Italy are now distributed in smart packages in disassembled form. This increases the cargo capacity of each truck by 50 percent. The checkout counters are designed to be shipped in flat packages and are assembled in the shops. This approach is now being reviewed by other companies in the ITAB Group.



CIRCULAR WASTE WATER PROCESS IN CHINA

ITAB's new production facility in Suzhou, China, came into operation in 2019. Through a major effort, the goal of achieving a circular process for the powder coating line has now been reached.

From the beginning, ITAB set out to make the line completely circular in terms of water use and consumption. By working on the different parts of the line, such as filters, oil separators and chemical and evaporation technologies, the water is recycled and purified after the pretreatment. The high environmental standards now enforced in China are thus both achieved and surpassed. Currently, there is a strong trend in China where many companies have their coating lines shut down due to stricter environmental and safety requirements. ITAB's novel state of the art line is considered to be a very important part of the offering and a potentially very significant competitive advantage on what already is a cut-throat market.

FOCUS AREA: **BUSINESS ETHICS**

SUSTAINABILITY GOALS. ITAB will be looked upon as an honest and transparent operator on the market and in society.

Through ITAB's Code of Conduct, all employees have a clear regulatory framework for, among other things, business ethics. Parts 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 zero tolerance towards all forms of kickbacks, bribery and corruption. ITAB conducts regular audits and evaluations of internal checks across all subsidiaries, which provides reasonable assurance of effective and efficient operations, reliable financial reporting and compliance with laws and regulations.

Each company CEO within the ITAB Group is responsible for ensuring compliance with local regulations. The Group-wide Code of Conduct covers all ITAB employees, and every employee must also sign to confirm that they adhere to this code. The Code of Conduct addresses, among other things, that each employee is valued, that the Group offers a healthy and safe working environment and works to reduce environmental impact. It also points out that ITAB stands for an honest and direct style of communication, and that all employees must respect business confidentiality. If a business ethics question arises at company level, there is a system for how employees should report directly to the Group and how the issues should be handled. At the end of the year, approximately 97% of the Group's employees had signed the Code of Conduct. ITAB's goal is for all people in the Group to sign. Generally, in the case of new hires in Group companies, the line manager is responsible for ensuring that the employee understands and signs the Code of Conduct.

No known cases of corruption were detected in the Group during the year. ITAB has special reviews and training on anti-corruption, mainly in countries where the Group faces the greatest risks.

Since the end of 2017, a Group-wide supplier policy has been in effect, containing basic business ethics requirements that ITAB imposes on its suppliers.

In order to ensure that ITAB complies with GDPR regulations, GDPR training was given to employees whose roles require the handling of personal data.

An extensive valuation project named WE ARE ITAB was implemented in 2017. In 2019, with ACT as its basis, the valuation work has continued to increase knowledge about current situations, and to prepare companies for the transformational environment faced by retailers.

ITAB's tool for internal evaluation is based on the COSO framework. This is a framework for evaluating a company's internal evaluation of its financial reports. The framework streamlines the work on such evaluations. During the year, the internal audit programme was revised based primarily on business risks. Our internal audit now also incorporates follow-up of the sustainability program and code of conduct.

GLOBAL OBJECTIVES: 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, ITAB can help to strengthen the integrity in its value chain and contribute to a better social climate with less corruption.

WORK ON VALUES IS IMPORTANT WHEN RETAIL IS CHANGING

An extensive effort related to values, named WE ARE ITAB, was initiated in 2017. Workshops have been carried out in all the countries of operation, and taken by the majority of the Group's employees.

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 values platform in 2017.

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 summarized in the acronym 'ACT!' 'Think Ahead' refers to ITAB's long-term focus, in business, for the people and for the environment. It includes thinking carefully before taking action, 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!

FOCUS AREA:
GOOD WORKING CONDITIONS

SUSTAINABILITY GOALS.
ITAB will be an attractive workplace and shall act as a role model for employers.

ITAB endeavours to achieve good working conditions within the companies in the Group, for suppliers and with customers. The Group respects human rights, which entails that ITAB supports, abides by and respects international conventions on human rights in its operations.

ITAB considers its employees to be its foremost asset. Attracting, involving and developing the employees is a critical 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 customers.

ITAB respects human rights and the management of its daily operations are based on international conventions on human rights. The Group's companies respect their employees' right to organise themselves and negotiate collective agreements. The companies must also respect the right of each employee 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 salaries 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 2019.

HEALTH AND SAFETY

ITAB is working to provide a healthy and safe working environment. As a production company, it is important to minimize the risk of accidents and workplace 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 with employee statistics. Any deviations in the number of accidents or sick leave are subject to further review.

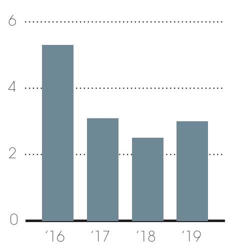
During 2019, the number of accidents fell to 92, compared with 101 in 2018. The most commonly reported injuries were cuts. ITAB will continue to review the safety procedures for those companies that report a higher number of accidents over the course of 2020.

Efforts are being made at a local level to reduce the proportion of sick leave within the company, which increased slightly in 2019 to 3.0 (2.5) percent. Sick leave is monitored and measures are implemented in units with higher levels of absence.

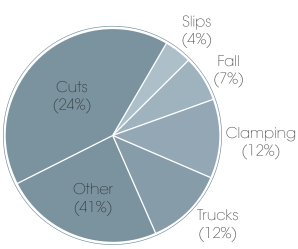
SKILLS DEVELOPMENT AND CAREER OPPORTUNITIES

Motivation, job satisfaction, commitment and participation are central factors for the Group's employees to be able to develop within the ITAB Group; they are also important elements 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

SICK LEAVE (%)



REPORTED ACCIDENTS



GLOBAL OBJECTIVES: GOOD WORKING CONDITIONS

ITAB can contribute to goal 8, which relates to decent working conditions and economic growth. Through its responsibility in the value chain, ITAB can contribute to improved working conditions in the markets in which ITAB operates, and where ITAB's rapid growth creates new job opportunities with a good working environment. As far as ITAB is concerned, this occurs, for example, in the area of 'Good working conditions', which handles issues such as work environment, health and safety.

8 DECENT WORK AND ECONOMIC GROWTH

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. The ACT programme comprises a workshop with different films. The ambition is to give every employee a sense of ITAB's origins and the possibilities, products and solutions of the future, as well as a chance to gain an insight into the sustainability programme centred on ITAB's valuation platform.

Read more about ITAB Academy on page 35 and about the ACT programme on pages 30-31.

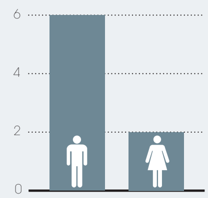
GOOD CONDITIONS IN THE SUPPLIER STAGE

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 is regularly engaged in dialogue with its most important suppliers about various sustainability aspects.

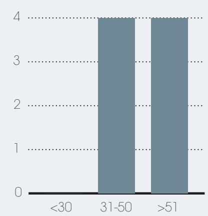
Each company within ITAB has its own guidelines and policies that regulate the demands placed on suppliers. Since 2017, a new Group-wide supplier policy has also been applied. This policy applies to all companies in the Group and establishes fundamental criteria for all of ITAB's suppliers.

The ITAB Group has around 7,000 suppliers. An effort to review and consolidate the suppliers has been initiated.

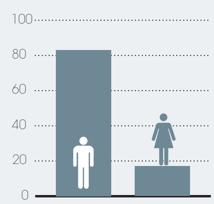
GROUP'S BOARD – GENDER



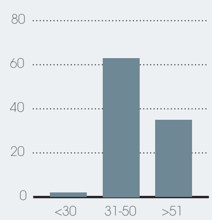
GROUP'S BOARD – AGE



NUMBER OF EMPLOYEES MANAGEMENT (%)



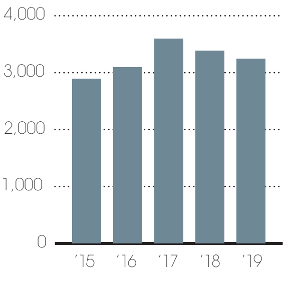
MANAGEMENT – AGE (%)



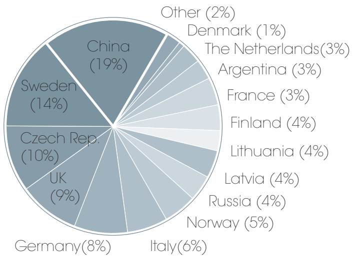
EQUALITY & DIVERSITY - PRIORITIES FOR ITAB

A new organizational structure opens more opportunities for ITAB to address issues related to equality and diversity. The Group faces challenges today, and is in need of additional efforts to reach an equilibrium.

AVERAGE NUMBER OF EMPLOYEES



NUMBER OF EMPLOYEES PER COUNTRY (%)



ITAB values and strives for diversity among its employees. There are several aspects to the concept, such as the equal rights and opportunities of everyone regardless of sex, age, identity, ethnicity, religion or other belief, disability or sexual orientation. The diversity efforts should not only be exemplary, but should also be implemented in such a way as to benefit ITAB's customers.

To provide support for recruiting managers, a guidance tool is available to assist in each individual recruitment with regard to, for example, the proper management of the process in accordance with local legislation and the goal of increasing diversity in the Group.

Equality, in the sense of gender equality, is one of the Group's challenges. Traditionally, the areas of production where ITAB operates have been male-dominated. The effort to create a more equal gender distribution at all levels within the companies is conducted in part by ensuring that there are female applicants in the recruitment process. It is, however, obvious that additional interventions will be required to achieve a balance.

The Group currently employs approximately 29 (31) percent women and 71 (69) percent men. The management teams in the Group's subsidiaries comprise approximately 152 (135) people from 27 countries, 17 (18) percent of whom are women and 83 (82) percent men. Approximately 25 (30) percent of the Group's Board of Directors are women. The Board of Directors applies the diversity policy advocated by the Swedish Code of Corporate Governance.

NEW ORGANIZATIONAL STRUCTURE OPENS OPPORTUNITIES TO PROMOTE DIVERSITY

In early 2020, a new organizational structure was implemented in order to support ITAB's transformation. In connection with this, a new and extended Group management was appointed (see page 97), where HR is represented by the role of Senior Vice President, People & Culture. Through this initiative, ITAB aims to renew and strengthen the focus on areas such as diversity and equality issues.

In each of the organization's functions, there is now a person assigned with responsibility for HR matters. These will hold regular meetings in what are known as matrix forums, each of them with responsibility for specific matters. ITAB is now making an effort to become a more equal and multi-faceted Group.

THE GROUP'S STAFF

The average number of employees in 2019 was 3,247. Approximately 60 percent of the Group's total number of employees are working in China, Sweden, the Czech Republic, the UK and Germany. Staff turnover during the year was 18% (14). The Group's staff turnover has been affected by the efficiency programme (see page 6).

Approximately 20% (19) of the Group's employees are under the age of 30, and 56% (61) are between 31 and 50 years old.

STAFF DEVELOPMENT

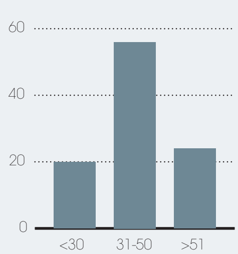
ITAB has an internal training programme, the ITAB Academy, which is important for attracting and retaining employees. The participants, who come from several of the companies in the Group, are given the opportunity to develop leadership and business skills. The programme also aims to increase knowledge about ITAB, and to facilitate cooperation between the Group's companies based on ITAB's decentralised organisational model.

Several ITAB Academy programmes have been carried out in recent years, leading to increased understanding and knowledge of the operations of the various Group companies, which promotes cooperation between them and improves the understanding of ITAB and its market.

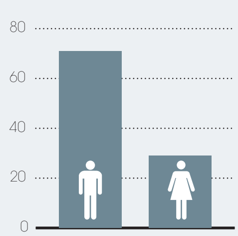
Based on one of our key phrases, “Think Consumer”, and our new strategy, ITAB has initiated work on strengthening and imparting knowledge in order to meet the changes within retail.

▲ **PERNILLA LORENTZON,** Senior Vice President People & Culture tells about ITAB's work on equality and diversity moving forward.

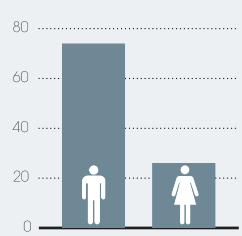
▼ **AGE DISTRIBUTION OF EMPLOYEES (%)**



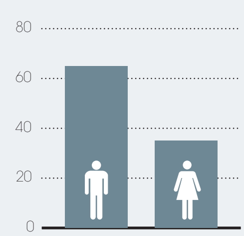
▼ **GENDER DISTRIBUTION OF EMPLOYEES (%)**



▼ **GENDER DISTRIBUTION OF EMPLOYEES UNDER COLLECTIVE AGREEMENTS (%)**



▼ **GENDER DISTRIBUTION OF SALARIED EMPLOYEES (%)**



A NEW STRATEGY TAILORED TO MEET A CHANGING MARKET

Market dynamics are driving change, and we are evolving our business both to further support our customers, as well as to take advantage of new opportunities.

▲ **NICK HUGHES,** Senior Vice President Group Strategy & Transformation at ITAB, presents the new strategy and reformation that will strengthen ITAB's position.

Our market and customers have been permanently changed by the disruption caused by online and mobile growth, and its impact on consumer behaviour. As a result we have been evolving the current ITAB business to better support customers in this new retail landscape, and to meet the expectations of all our key stakeholders.

We are continuing to evolve our offer to meet our customers changing needs, building on our existing strengths and creating new revenue stream for growth.

Where we have developed more strategic relationships with customers and address their new market challenges, we drive greater value both for them and for our business. One of our strategic priorities is to build on this success and expand our solution design approach to a wider range of customers where we have identified a current need. At the same time we are further reengineering our operational structure and processes to reflect changing demand, improving our production agility and flexibility.

ADAPTING TO A CHANGING MARKET

In general, our market is no longer characterized by long-term roll-out programs with large volumes, but has been replaced by projects with smaller volumes and shorter lead-times. Over the years our manufacturing base has been developed around more traditional demand patterns, and as a result we have identified a number of opportunities to increase operational efficiency and consistency throughout the Group.

Our strategic vision is to develop a solution-based business model, building on the Group's intrinsic knowledge base and its success in delivering innovative solutions.

Our 'One ITAB' Strategy is based on an in-depth understanding of current and future market demand, and the co-creation of our future direction as a Group, with input from our colleagues, customers and consumers from all over the world. It builds on current strengths and future opportunities, and it will provide everyone in our business with a clear direction and understanding of our strategic goals and desired business model.

Our new mission statement is as follows: "At ITAB we help customers turn consumer brand experience into physical reality with our know-how, solutions and ecosystem of partners."

FROM BRAND EXPERIENCE TO PHYSICAL REALITY

Through the physical realisation of engaging, efficient and seamless environments, we are delivering measurable results for our customers in terms of the desired 'consumer brand experience'; increased conversions and sales; improved operational efficiencies and service; reduced operational costs; and more efficient store project implementation. The intention is to update our offer in order to develop a more sustainable revenue model, creating new demand and selling more of our equipment and service portfolio to more customers. On the one hand, we will improve our traditional product and service supply; on the other hand, we will build on existing and new strategic customer relationships to satisfy the growing demand for outcome-based solutions. This combined approach will help us to grow our service-based revenues, and to smooth out the current demand peaks and troughs.

STRONGER TOGETHER

To complement our own know how and innovation competences, we are continuing to build our ecosystem of partners to help leverage greater value and outcomes for customers.

Although we aim to provide our customers with complete solutions and new market insight, we do not always need to make and do everything ourselves.

Finally, what defines 'Retail' is expanding. Consumers are looking for better experiences everywhere. There are new opportunities for us to deliver value. We have adopted an approach which not only enables us to expand the share of our existing markets, but also allows us to explore various new markets where we can add value. It is about doing what we have been good at, but better, whilst also exploring new emerging opportunities.

STRATEGIC PRIORITIES

The core of our 'One ITAB' strategy is to evolve ITAB's business to a solution-based business model, building on the Group's intrinsic knowledge base and its success in delivering innovative solutions. We have identified a number of Strategic Priorities to help drive growth and change in the business.

BEING A SOLUTION PROVIDER

This is all about how we approach problem solving for our customers, and create measurable ROI for ITAB's solutions. We start by understanding our customers' strategic goals and challenges, and through a holistic dialogue we co-create solutions.

DEVELOPING AN ECOSYSTEM OF PARTNERS

Building a robust ecosystem of partners will enable us both to deliver the complete solutions required by our customers, and to reduce our supplier numbers to drive out complexity and improve predictability.

EXCELLENCE IN OPERATIONS

Excellence in operations means that we take pride in "first time right" and "in the agreed time", and use Lean methodologies when we design our common ways of working. We will continue our focus on reducing lead times and improving quality.

RE-ENGINEERED COST STRUCTURE

We are re-aligning the Group's management, operational and cost structures with the revised 'One ITAB' strategy, way-to-play and differentiating capabilities. Our focus will be to ensure profitable and sustainable growth going forward.

EXPANDING OUR MARKET POSITION

Currently, our main differentiator is our know-how, our customer relations, and our comprehensive portfolio, which is unique in the industry. We will build on these strengths and make it a reality in all our regions, expanding our market position.

EMPOWERING PEOPLE & COMMON WAYS OF WORKING

Through clear KPIs, common ways of working and access to the right information at the right time, our people will be able to make good business decisions. Our aim is to make all ways of working parallel, collaborative, cross-functional and transparent.

SUSTAINABLE FUTURE

At ITAB we collaborate and continuously innovate for a sustainable future. We have clear goals and ambitions for our own operations in terms of sustainable business development, efficiency in the value chain, good working conditions and business ethics.

THE VALUE OF STRATEGY LIES IN ITS DELIVERY

Specific goals and detailed action plans have been prepared for the Strategic Initiatives under the control and management of an appropriate Executive Sponsor, who is a member of the new Group Management Team. They are working closely with the leaders in each of the market regions and strategic business units to implement our plans and achieve the stated goals quickly and efficiently.

RELEVANT AND COMMON GOALS TAKES ITAB INTO THE FUTURE

In parallel with ITAB's new strategy and transformation plan, new goals are emerging as well. Our focus is on relevance and the direction of the operations.

For many years, ITAB has successfully maintained growth by way of a number of acquisitions. The potential to take advantage of synergies and consolidate the acquired units into a more interconnected and effective whole is considerable. The focus will be on structure, approaches and market adaptation, that is to say, a transformation of market position, offering, competence and industrial ability.

For the Group, the transformative phase will entail less focus on growth and more focus on profitability, which also sets the tone for 2020-2022.

The revised operational and financial objectives will connect to the new One ITAB strategy, with a focus on:

- Profitability
  Sustainable and profitable operations will be made a priority by transforming the cost structure of the Group.
- Empowerment
  ITAB will follow up the development of the operations in a more structured manner, and steer it in the desired direction with the help of common approaches and KPI's that are closer to the actual operations. Decision making at all levels will drive the shorter lead times that are required by the new market conditions.
- The customer offering
  ITAB will move from being product-oriented to becoming positioned more as a "Solution Provider". The journey has already begun and is facilitated by ITAB's unique market position.
- Sustainability
  ITAB will continue to focus on sustainable business development, value chain efficiency and business ethics, in existing operations as well as in our future business transformation work.

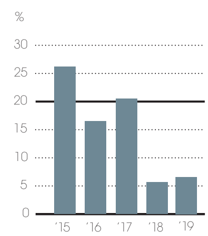
ITAB's operational and financial objectives for 2019 are presented on the neighbouring page, together with the level of compliance. These will be replaced by new objectives that reflect ITAB's new strategy in 2020.

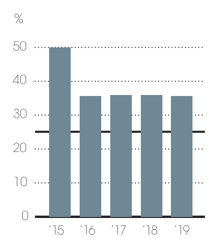
ITAB'S BUSINESS TARGETS 2019

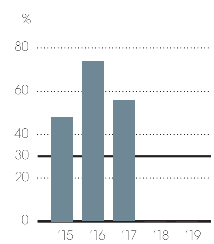
GROWTH GOALS	DESCRIPTION	REALISATION
▶ ITAB will achieve an annual growth rate of at least 15% over an extended period.	The target includes both organic and acquired growth. Organic growth will be accomplished through greater market shares and product development. Acquisitions will be made of both complementary businesses and in new markets.	Sales increased by about 1 % in 2019. Over the past five years, average growth was about 9 % per year.
▶ ITAB will maintain and enhance its market-leading position in Europe and develop market share in new markets.	This goal is linked to ITAB's business concept, which states "With its expertise, long-term business relationships and innovative products, ITAB will secure a market-leading position in selected markets". ITAB will use its strong position in the European market to create and retain long-term business relations and follow major customers into new markets.	ITAB retained its leading position in Europe during 2019. 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". 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 2019

TARGETS	DESCRIPTION	UPPFYLLELSE
▶ **RETURN ON EQUITY** Over an extended period, ITAB will have a minimum 20% return on equity.	Generating good return on equity is a critical goal for ITAB. The level has been determined with consideration to ITAB's capital structure and expected earning capacity.	In 2019, return on equity reached 6.9 %. Over the past five years, return on equity has averaged about 15 %.
▶ **RISK-BEARING CAPITAL** ITAB will have at least 25% risk-bearing capital.	The risk-bearing capital goal should be viewed as an expression of the lowest acceptable level in terms of a stable financial position.	The proportion of risk-bearing capital was 35% at 31 December 2019. Over the past five years, the proportion of risk-bearing capital has varied between 35% and 50%.
▶ **DIVIDENDS** ITAB's share dividends will, over an extended period, mirror the company's earnings and correspond to at least 30% of the company's profit after tax. The dividend will, however, be adjusted to the company's investment needs and share repurchase schemes when relevant.	The goal has been set to ensure a stable financial situation for continued expansion while concurrently giving shareholders a reasonable portion of the profits.	In order to strengthen the balance sheet, the Board is proposing that no dividend be paid out for the 2019 financial year. Apart from 2019 and 2018, the dividend share has been between 48% and 74% over the past five years.







> *"I want a separate private place to try things on. It should be designed for the context I am in. A cold area for trying on coats and gloves and a noisy area for trying noise cancelling headphones."*

CHANGES IN CONSUMER BEHAVIOUR & MARKET DYNAMICS

The change in the retail market in recent years is driven by new consumer behaviour. TTo keep up with developments, and also to be prepared demands sound knowledge of the end consumer. ITAB has conducted consumer surveys to better assist clients with the right solutions for these new challenges.

The world's consumers are better informed and cconstantly online, and are more time conscious and demanding; they are accustomed to having access to what they need, when they need it, and in the way they need it. Today's consumers have high expectations of brands, particularly in terms of choice, convenience and service.

WORK TOOLS BASED ON CONSUMER ANALYSIS

For ITAB to continue to be relevant to its clients requires an understanding of the needs of current and future consumers, and how they can be best satisfied. In order to investigate this, ITAB has carried out studies in consumer behaviour. The study included interviews with consumers in Asia and Europe. From these, patterns have been discerned, which have resulted in a unique working tool. This will be used to better understand the challenges, but also as tool to help the client understand the needs of their consumers. Depending on the behaviours that need to be addressed, such as self-esteem, group affiliation, security, convenience and loyalty, then a concept should be designed differently. Through better understanding, different products and solutions can be proposed, and a quick return on the investment achieved.

By understanding the consumer's behaviour, ITAB will be the best partner to help customers find the right solutions to convert their brand strategy into a physical store/meeting place.

FUTURE CONSUMER

The consumer of the future demands environments that provide convenience, choice and/or a place for socialising and fun. A successful concept must stand out by offering a customer journey and experience that meets some of these raised expectations.

ITAB has identified four main trends that the physical store needs to take into account. More on these can be found on the next page.

"A satisfied customer is the best business strategy of all."

Michael Leboeuf

FOUR CONSUMER TRENDS

PERSONIFICATION AND GUIDANCE
Consumers are demanding an increasingly personalised journey through the store, with customised offers according to, for example, a purchase profile. Clear routes and information on what choices are available mean that the right offer can be linked to the right consumer. This saves time and makes the consumer experience more positive.

A SEAMLESS JOURNEY
Offering a seamless customer journey, where online and offline converge into a natural experience, is beginning to be expected by the consumer. Obtaining information, making purchase decisions, and being able to pay quickly and easily are becoming more and more decisive in the choice of store.

SIMPLICITY AND CONVENIENCE
Something that contributes to the consumer returning is an effective flow in stores, where queues, difficulties to find items, unclear signage, and the feeling of an unsafe environment (theft) are minimal. This also contributes to increased loyalty and gives a stronger feel for the brand.

EXPERIENCES AND SELF-FULFILMENT
For brands that want to be associated with lifestyle and self-fulfilment, the store visit is not always associated with a purchase. Here, it is more about unique experiences and relationship-building at premium locations in larger cities. Consumers want to be part of the brand through, among other things, memberships and gatherings with a mutual interest, such as running or skiing. All this for a stronger relationship between brand and consumer.

By understanding the changing consumer behaviour at the physical store, ITAB can help retailers solve their increased "service versus cost" dilemma. In offering an analysis of the consumer's journey through the store, and then designing an experience that results in increased sales, increased service and reduced costs for the retailer, ITAB drives client value.

"In the future retailers need to communicate with consumers frequently to understand what they prefer and offer a more customised service."

"We try to support local shops. If it costs under £5, we don't mind paying a little more to support the local community."

The photos in this article is only example photos.

POLESTAR SPACE, BEIJING & OSLO

In 2019, the electric vehicle company Polestar, jointly owned by Volvo Car Group and Zhejiang Geely Holding, opened its first Polestar Spaces. The premises are located in the downtown areas of major cities around the world, and more will be opened in 2020. ITAB realised the new concept which included furnishings, lighting and digital solutions in the cross-border project, which demonstrates ITAB's possibilities of working globally.

Polestar had high ambitions for the environment to be created. It was essential that development, sustainable production, project management and, eventually installation would function smooth and orderly.

Photo: Polestar

CUSTOMER-SPECIFIC CONCEPTS LOCALLY AND GLOBALLY

To stay close to the customer and its market, ITAB operates according to a model where we take responsibility for the entire process - from concept to turnkey store. This can be the basis for a long-term business relationship. IITAB's goal is to develop and improve the store environment for chain-based clients, striving to create a better shopping experience for the consumer and increasing the efficiency of the store.

The store concept is an important part of a retailer's profile and a representation of its brand strategy. It encompasses all types of furnishings and equipment intended for the display and storage of goods, and associated shopper services. In order to always be able to create store concepts according to the client's wishes, ITAB can offer fully customised interiors, as well as specially adapted interior details that reflect the client's specific profile.

Client-unique concepts and innovative products have been developed over a number of years, and these have given ITAB a substantial concept and product portfolio that continuously strengthens its position as a total supplier.

The goal of all projects is to realise the client's ideas so that they match their profile and sales strategy. In order to achieve this, there are several local design teams and design companies within the Group, who themselves, or together with the clients' own agencies or external architects, turn a concept into reality.

PROJECT MANAGEMENT WITH AN ENVIRONMENTAL FOCUS

The central function of ITAB's working model is project management. Here, new concepts, products and solutions are developed in close collaboration with the client. When working on a store concept, new ideas and needs often arise, which the central project management function can capture and implement in a natural and efficient way. An important factor here is to optimise the use of raw materials early in the design and product development phase, taking into account, among other things, the environmental impact. Other important factors are the design and energy consumption of the product.

Fast and flexible delivery methods are necessary in today's more project-based market. Developing and refurbishing existing stores are an increasingly important aspect of ITAB's business, and many retail chains often want to change one department at a time with as little impact on other operations as possible. Flexible methods of delivery and installation are required, and this is performed by ITAB's own technicians and certified installation teams. In addition, ITAB's specialist teams carry out service and maintenance work to help extend equipment performance and useful lifespan.

▲ **ITAB'S APPROACH**
The project management function, central to the approach, makes it possible to offer comprehensive solutions - from concept to turnkey store - with responsibility for the process as a whole. You can read more about every stage of the model at itab.com.

SWIFT STREAMLINING THROUGH GUIDANCE & CHECKOUT

Guidance & Checkout refers to the area and solutions associated with check-in and checkout in the store. Efficient solutions and systems create optimal flows in the store, enhancing the shopping experience for the consumer. ITAB develops entrance and exit systems, checkout counters and self-checkout solutions for store chains.

"Every year, theft worth billions occurs in stores around Europe. ITAB has made it their job to find solutions that can reduce theft in stores."

RIGHT WAY IN. RIGHT WAY OUT.

Effective flow through the store is crucial to success. When ITAB designs an entrance and exit system, customer flow is analysed to see how it can be optimised to suit store operations.

In order to offer increased freedom of choice and high flexibility, products and technical solutions are offered in several designs. ITAB's solutions can be found in all types of outlets, from supermarkets to hardware stores and local convenience stores around the world.

COLLABORATION REDUCES THEFT

Every year, theft worth billions occurs in stores around Europe. ITAB has focused on this specifically to find solutions that can reduce theft in stores.

ITAB has a wide range of anti-theft solutions that work preventively, both visually and physically. A well-designed entrance and exit system helps to reduce shoplifting and theft while optimizing customer flow, guiding customers efficiently and shaping sales flows. Many store owners today find that the risk of theft increases with the number of ways that there are to checkout or pay. To delve further into the subject, ITAB collaborates with Adrian Beck, Professor of Criminology at Leicester University, who has been researching theft in the retail business for the past 31 years. His research shows, among other things, that shop owners often try to find their own solutions to reduce theft. Given that the landscape of retail is developing at a rapid pace, partners with ready-made technology and products are needed to provide stores with immediate help.

FAST ROI WITH EFFECTIVE CHECKOUT

ITAB has, as Europe's leading supplier of checkout counters, the experience and expertise to help store chains choose the the best solution for their check-in and checkout, based on the store's size, product flow and visitor volumes. Other important factors are design and communication around the checkout line.

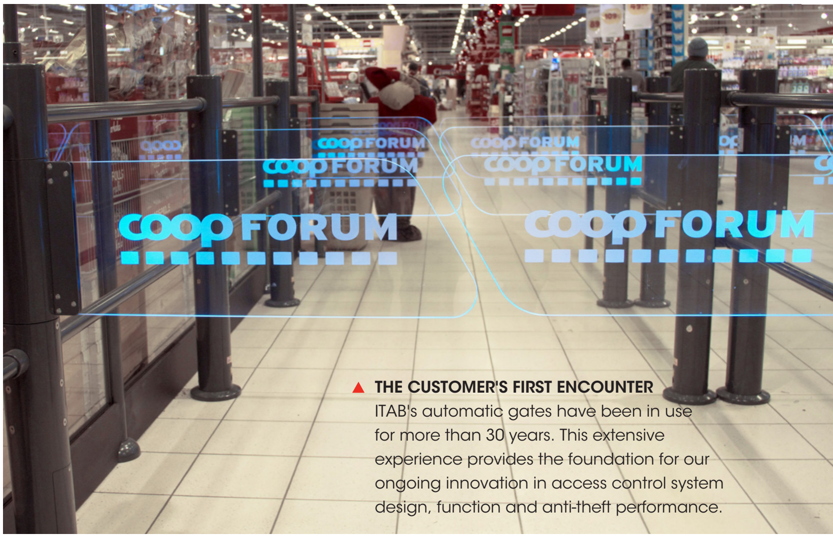
The design of products and systems can vary between countries, and is also influenced by the size of the store.

An increasingly important element is the self-checkout system. In recent years, interest in new methods for secure checkout and payment has increased significantly. Over a number of years, ITAB has developed and manufactured self-checkout solutions as alternatives to staffed checkout counters. The systems mean that the consumer checks out their goods

LA LUGUENZE, ARGENTINA
In Tucumán, Argentina, you can find the La Luguenze store. With 18,000 square metres of indoor and 20,500 of outdoor floor space, it has something for everyone. ITAB was entrusted to deliver lighting, shelving systems, cash registers, self-checkouts, cabinets and customized furniture.

at the checkout in a fast, smooth and secure way. This development work has resulted in a market-leading range of self-checkout products designed specifically for the retail industry. The improvements that self-checkout systems provide lead to, among other things, significant cost savings and increased service levels for both larger retail chains and smaller convenience stores. They save floor space and make room for more goods and cash registers.

The combination of traditionally staffed cash registers and self-checkout solutions gives the store a more flexible solution for checkout, providing greater choice for a variety of customer groups. Together, ITAB's range of self-checkout systems and leading position in cash desk sales constitutes a compelling and very competitive combination.



THE CUSTOMER'S FIRST ENCOUNTER
ITAB's automatic gates have been in use for more than 30 years. This extensive experience provides the foundation for our ongoing innovation in access control system design, function and anti-theft performance.

EXITFLOW
Exitflow is a complete solution for self checkout areas. It includes customer guidance railings, posts, gates and an exit scanner for those customers that prefer to scan and pay for their goods themselves. The system ensures that payment is made in the self-checkout area prior to exit.

A PROJECT WITH FOCUS ON THE ENVIRONMENT AND SUSTAINABILITY

Lighting systems have become an increasingly central part of the store concept. In the case of refurbishments as well as new builds, energy efficiency is increasingly important. ITAB develops, manufactures and sells complete professional lighting systems, lighting planning and lighting services across all retail sectors.

ITAB develops, manufactures and sells complete professional lighting systems, lighting planning and lighting services to the retail and grocery trade.

Energy consumption is a major element in a store's operating cost. Effective lighting means considerable energy savings and lower maintenance costs. The design and efficiency of lighting systems has a direct impact on these ongoing costs. The amount of heat generated by the systems also affects the cost of ventilation in stores.

These are areas where ITAB's products and systems stand out. In a shop, several types of lighting are often used to create the right atmosphere. Through its range of lighting, ITAB can act as a 'one stop' supplier for retail stores and chains.

The Group sells and distributes lighting products to more than 90 countries, both through its oown companies and via national distributors to provide customers with local import support and service.

PRODUCT DEVELOPMENT AT THE CUTTING EDGE

Development in components for LED products happens fast. New and improved LED chips are reaching the market almost continuously, mainly offering improvements in CRI (color rendering index) and efficiency. ITAB has also developed linear LED products, mainly for the grocery trade.

ITAB is one of the leading suppliers of professional lighting systems in Europe, providing modern energy-saving light sources such as LED (light-emitting diodes).

The Group conducts its own product development, adapting its lighting systems to customer needs that can differ from market to market. Customers are offered a combination of local lighting expertise with global sourcing of lighting products.

ITAB is one of the few international manufacturers who develop and produce their own drives and LEDs in parallel with optical solutions for such light sources. Product development takes place in Sweden, where smaller product series are also produced. Volume production takes place in our two company-owned, modern production facilities in China, where, in addition to manufacturing fittings, production of drive electronics and LED PCBs is also carried out.

Third-party lighting systems are internationally certified, which facilitates a retailer's expansion of its store network to other countries.

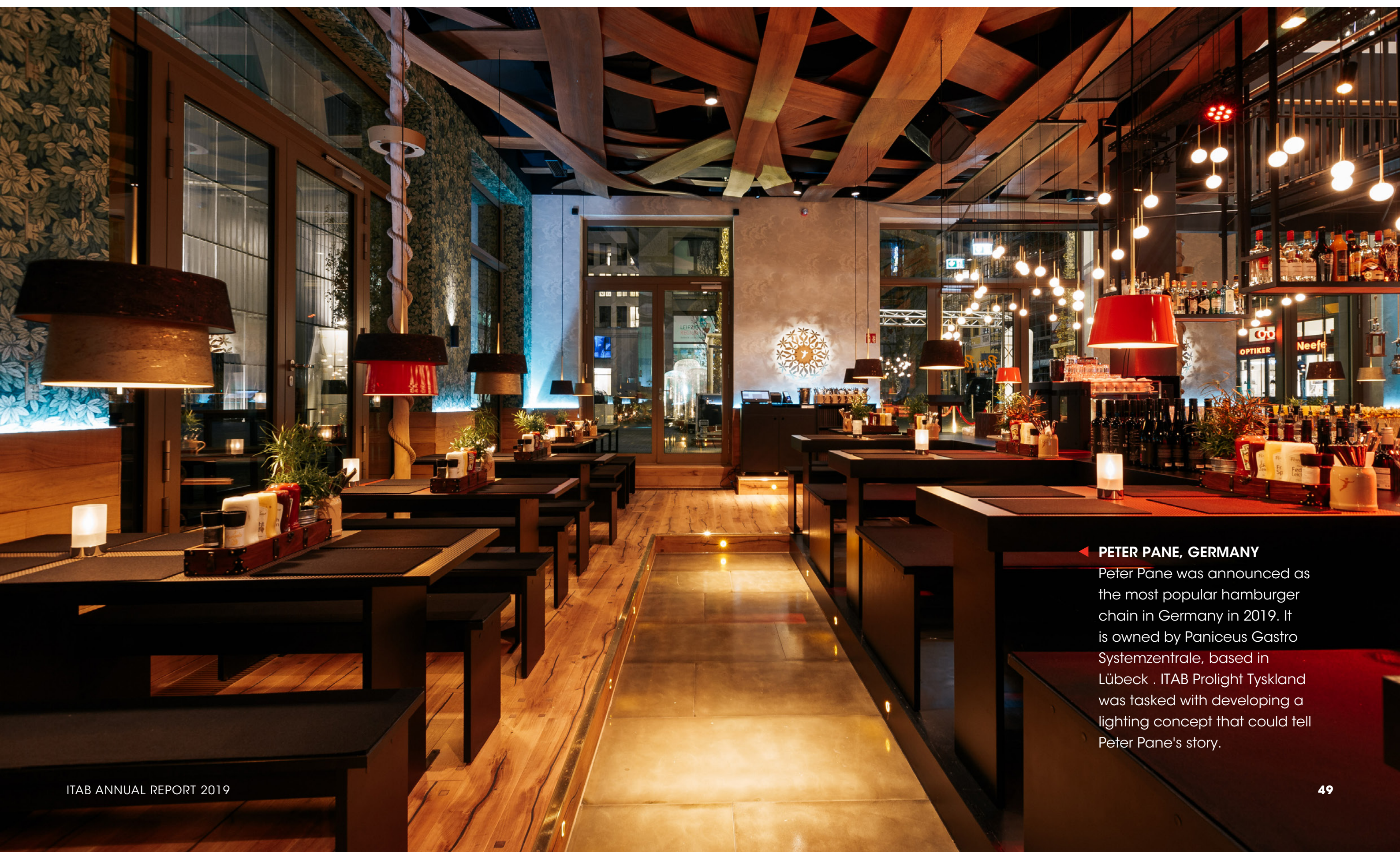
As LEDs develop, new types of tests are carried out to ensure that there are no negative impacts to lighting performance.

FULL CONTROL JUST A SINGLE CLICK AWAY

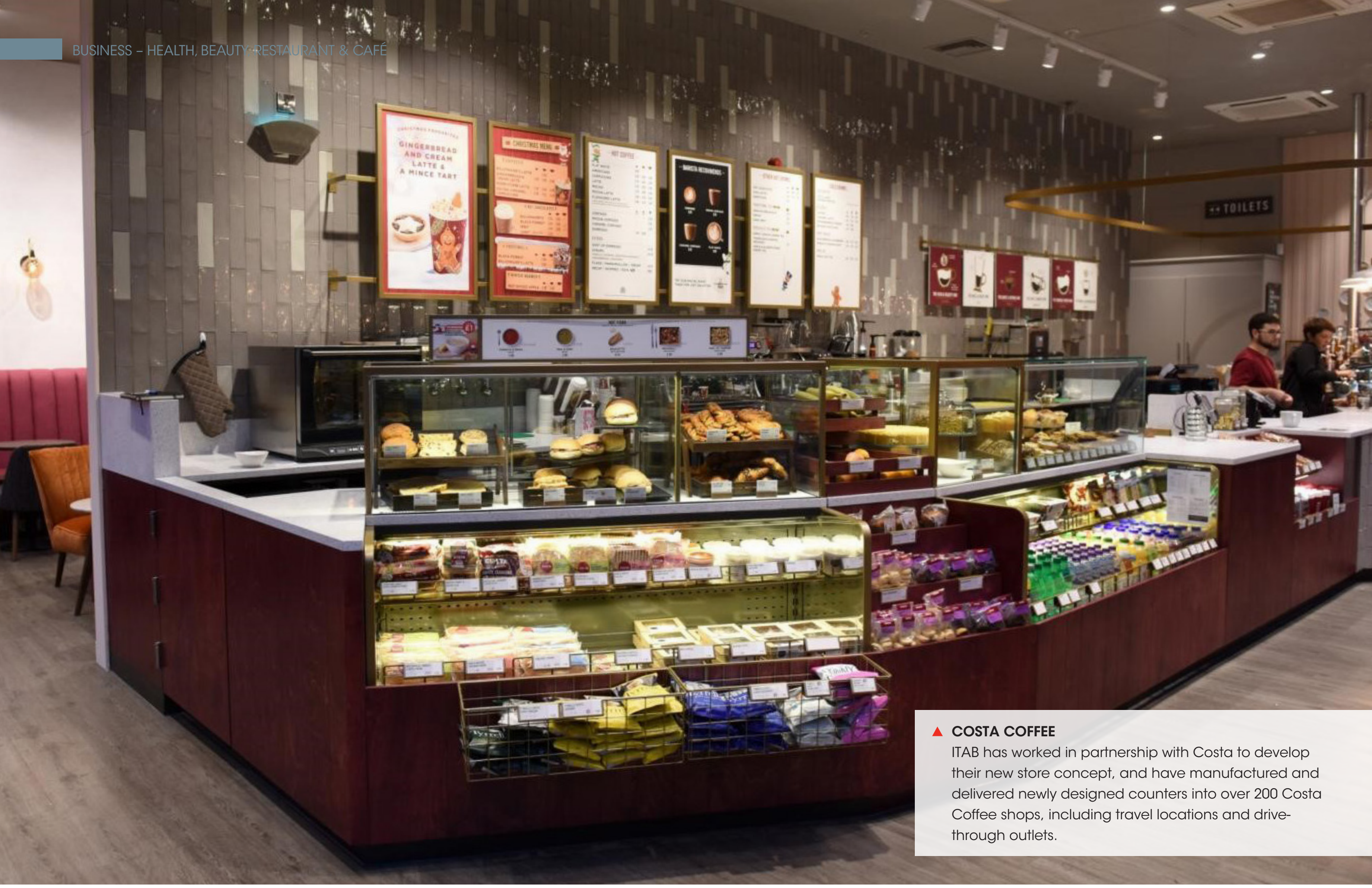
A successful shopping experience needs to affect all of the customer's senses. Timing is also important: doing the right thing at the right time to create the right energy, sensations and behaviours within the customer.

ITAB has developed the world's first wireless system capable of easily controlling in-store experiences. Our solution combines professional light, sound and image in a single system. TThe solution is called Piri, and it helps the user to create experience zones, giving the consumer the relevant impression and message. All devices are wireless, allowing users to change the experience in an instant.

INCREASED SALES WITH ILLUMINATED SHELVES
ASDA increased sales by developing a new look for their beverage section. This was accomplished through novel lighting, with a design that stands out, and clearer displays which were adapted to the existing shelf system.



PETER PANE, GERMANY
Peter Pane was announced as the most popular hamburger chain in Germany in 2019. It is owned by Paniceus Gastro Systemzentrale, based in Lübeck . ITAB Prolight Tyskland was tasked with developing a lighting concept that could tell Peter Pane's story.



COSTA COFFEE

ITAB has worked in partnership with Costa to develop their new store concept, and have manufactured and delivered newly designed counters into over 200 Costa Coffee shops, including travel locations and drive-through outlets.

ETOS

Chain in the Netherlands with more than 100 years of experience in beauty care. In 2019, the chain developed a new concept in line with a new strategy. ITAB had the privilege of implementing the novel store concept, which comprised development, production and installation of the concept as a whole and of shelf systems.

MEDAGLIE D'ORO, PHARMACY IN ITALY

One of several pharmacies in Italy where ITAB has supplied design, fittings, lighting and displays.

HEALTH, BEAUTY AND SOMETHING GOOD TO EAT - GROWING MARKETS

The 'time saved' and 'time well spent' consumer trends are leading to new opportunities in retail, transforming stores into frictionless destinations for socializing and recreation. There is a growing desire for experiences that create memories and a sense of wellbeing, and we are spending more money to stay healthy and live longer.

Growth markets that have been targeted within retail include health and beauty, restaurants, and cafés. For many years, ITAB has built up experience and knowledge through close collaboration with leading companies in health, beauty and meeting places for food and socializing.

FROM A PHARMACY TO A HEALTHCARE STORE

As state pharmacies were privatized in Sweden, they transformed from dispensaries to healthcare stores. This has placed new demands on the required experience and the interior design. Customers' expectations of a modern pharmacy today are different than before.

Drug handling requires professional accuracy, and for a considerable time ITAB has worked closely with the pharmacy industry to develop functional storage solutions. With more than 40 years' experience and its own production of equipment and furnishings, ITAB has the capacity and competence required to deliver to pharmacies throughout Europe.

More and more pharmacies are being set up, for example, in grocery stores, all with the aim of providing convenience and saving time for the consumer by offering as many product categories as possible in a single location.

FROM A STORE TO A MEETING PLACE

Concepts developing rapidly today are places able to satisfy our need to spend a moment or a day with family and friends, and achieve the feeling of 'time well spent'. Here, sports arenas, cinemas, cafes and restaurants are converging with shops and public institutions to offer something for everyone.

ITAB sees great opportunities in working with customers to develop the social sspaces of the future, and it is working closely with several of the leading café chains in Europe. Concepts are created, prototypes are tested, and modern environments are rolled out with a consistent brand experience across Europe. ITAB is well positioned to support retailers in the creation of these environments through design, development, and in-house manufacturing; and also by providing a complete solution, leveraging our network of partners where necessary.

The 'time saved' and 'time well spent' trends also mean that a successful retailer must increase the level of service offered, in order to persuade customers to spend time in a shop, café or restaurant.

Customer experiences with digital interaction, and physical space for socializing and meetings, are here to stay, which means great opportunities for the retail industry as a whole.

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 depreciation, amortisation and impairment of non current 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. The 2019 data are affected by the introduction of IFRS16 Leasing Agreements. ITAB uses the simplified transition method when comparative figures are not recalculated. As a result, key figures affected are also reported without the effect of IFRS16 to allow comparison between the years.

▼ 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.

(SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018
Equity attributable to Parent Company's shareholders	1,748	1,754	1,598
Equity related to non controlling interests	128	128	128
Provision for deferred tax liabilities	48	48	54
Convertible debenture loan	165	165	162
Risk-bearing capital	2,089	2,095	1,942
Total capital	5,896	5,148	5,364
SHARE OF RISK-BEARING CAPITAL %	**35.4**	**40.7**	**36.2**

▼ Return on equity

This measure shows how the ITAB Group has invested the shareholders' capital.

(SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018
Net profit for the year attributable to Parent Company's shareholders	120	125	90
Equity attributable to Parent Company's shareholders	1,748	1,754	1,598
Average* equity attributable to Parent Company's shareholders	1,739	1,741	1,670
RETURN ON EQUITY, %	**6.9**	**7.2**	**5.4**

▼ Return on capital employed

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

(SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018
Profit for the year after financial items plus financial borrowing costs	263	254	236
Average* balance sheet total minus non interest-bearing liabilities	4,856	4,125	4,269
RETURN ON CAPITAL EMPLOYED, %	**5.4**	**6.2**	**5.5**

▼ Return on total capital

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

(SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018
Profit for the year after financial items plus financial borrowing costs	263	254	236
Average* total capital.	6,157	5,427	5,687
RETURN ON TOTAL CAPITAL, %	**4.3**	**4.7**	**4.1**

▼ 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)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018
Interest-bearing non-current liabilities	1,943	1,309	1,651
Interest-bearing current liabilities	868	748	727
Interest-bearing assets	0	0	-3
Cash and cash equivalents	-302	-302	-271
INTEREST-BEARING NET DEBT	**2,509**	**1,755**	**2,104**

** Average is calculated as the average of opening balance and the relevant reported quarterly data up until the closing period.*
In other words, 2019 is calculated as (31 December 2018 + March 2019 + June 2019 + September 2019 + December 2019) divided by 5.

DIRECTORS' REPORT

The Board of Directors and the CEO of ITAB Shop Concept AB (publ), 556292-1089 based in Jönköping, hereby submit the annual and consolidated accounts for financial year 2019.

THE BUSINESS

ITAB Shop Concept sells, develops, manufactures and installs complete shop fitting concepts for retail chain stores. Our offer includes custom-made concept fittings, innovative solutions for the checkout area, entrance systems, professional lighting systems and interactive products for physical stores. Customers include leading players in Europe operating in the global market. ITAB has subsidiaries in Argentina, Belgium, Brazil, Chile, China, the Czech Republic, Denmark, Dubai, Estonia, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Latvia, Lithuania, Malaysia, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, the United Kingdom and the United States.

In close cooperation with the customer, ITAB adds experience and expertise to the customer's specific needs and wishes. The business is based on long-term relationships and delivery reliability, combined with efficient production resources. Today, ITAB is the market leader in checkouts for the retail trade in Europe, and one of the continent's largest suppliers of shop fittings and lighting systems.

COMMENTS ON THE GROUP'S DEVELOPMENT

In 2019, sales increased by 1%, while currency-adjusted sales decreased by 1%.

The growth and efficiency program launched in 2018 as a result of declining sales development continued during 2019.The net effect of the program has not been satisfactory mainly because the growth element of the program (and the investments in resources included therein) have not produced the expected results. The program was therefore reviewed at the end of 2019, and further activities were started regarding the reduction of organisation and restructuring of parts of the value chain.

Sales increased in our largest customer group, Grocery, by 5% compared to the previous year. Sales to Home improvements customers decreased by 13%, and to Fashion customers by 12%. Other customer categories increased by 11%, mainly in fuel stations and cafés and restaurants.

The 2019 result is burdened by the fact that considerable resources have been invested in new customer and market processing and that the UK, one of ITAB's most important markets, has clearly been affected by its prevailing political uncertainty. Furthermore, the establishment of a new production facility in China has been a weight on results, owing to its associated moving and start-up costs, as well as double factory costs during establishment.

Continued focus on reducing working capital and divestment of properties meant that cash flow after investments improved to SEK 387 million (258).

NET SALES & PROFIT

During the year, net sales totaled SEK 6.064 million (6.031), an increase of 1%. Currency-adjusted sales decreased by 1%. Sales increased slightly in Southern Europe, Eastern Europe and the UK, decreased in Northern Europe, while other markets report sales in line with the previous year. Operating profit increased by 12% to SEK 257 million (230). Profit after financial items increased by 11% to SEK 174 million (157). The result was positively affected by repayment of the acquisition purchase price of lighting acquisition D&L Lichtplanung and D Lindner of SEK 42 million. This resulted from deficient seller guarantees in purchase agreements, and capital gains on the sale of property worth SEK 44 million. Restructuring costs have charged SEK 70 million to earnings in 2019. These costs are attributable to the growth and efficiency program launched last year, and as a consequence of further decisions regarding asset write-downs, organisational changes and staff reductions in order to adapt the Group to future direction.

CASH FLOW, FINANCING AND LIQUIDITY

Cash flow from operating activities during the year amounted to SEK 478 million (500). The new standard for leasing agreements affected cash flow regarding operating activities by SEK 125 million and net debt by SEK 754 million. Net debt excluding the impact of IFRS 16 decreased to SEK 1,755 million (2,104). Net debt, including leasing debt in accordance with IFRS16, amounted to SEK 2,509 million. The effects of IFRS16 Leasing in the balance sheet and income statement as well as in key figures resulting from the transition to the new leasing standard are reported in Note 22. The Group's cash and cash equivalents, including granted unutilised loans, amounted to SEK 993 million (860) at the date of the balance sheet.

INVESTMENTS

The Group's net divestments/investments amounted to SEK -34 million (242), of which -141 (-51) relates to real estate, and SEK -27 million (142) is attributable to corporate transactions during the period. Leases have been entered into for the divested properties, which in the balance sheet have a value of SEK 83 million in accordance with IFRS16.

SHARE DATA

Earnings per share before dilution amounted to SEK 1.17 (0.88), and after dilution SEK 1.17 (0.88). Equity per share amounted to SEK 17.07 (15.61). At the end of the period, the share of risk-bearing capital amounted to 35.4 per cent (36.2). See also pages 10-13.

EMPLOYEES

The average number of employees for the period was 3,247 (3,384). 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 consists of Group management and support functions for the Group. The Parent Company's net sales amounted to SEK 166 million (48), this figure relating to net sales from subsidiaries. Profit after financial items amounted to SEK 134 million (128) and includes dividends from subsidiaries of SEK 221 million (370) and write-downs of shares and receivables from subsidiaries by SEK 75 million (99) in connection with the restructuring as carried out.

Net investments amounted to SEK 15 million (143), of which SEK 15 million (141) is attributable to corporate transactions.

IMPORTANT EVENTS AND ACQUISITIONS

- ITAB signed an agreement with Italian grocery chain Megamark Group for the Checkout system ScanMate, which also included supplementary Checkout products. Further, ITAB was chosen to deliver self-checkout solutions to a leading German retail chain with rollout in 2019. At the end of the period, ITAB signed a three-year agreement with Circle K, one of Northern Europe's major players in fuel stations.
- In Q1, ITAB received a refund of the purchase price in respect of the acquisition of the D Lindner companies, which had a positive impact on earnings of SEK 42 million.
- ITAB sold real estate in Sweden and the United Kingdom. These transactions resulted in capital gains of SEK 42 million in Q2, and SEK 2 million in Q4.
- ITAB acquired 30% of Ombori Apps AB.
- On September 1, Andréas Elgaard took over as President and CEO of ITAB. He succeeded Ulf Rostedt, who left his post on 31 August.
- In September, a new five-year bank agreement of MEUR 200 was signed with Nordea.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

For significant events after the balance sheet date, see Note 35.

SHARE AND OWNERSHIP STRUCTURE

The company was traded on the First North exchange in 2004. Since July 2008, the company has been listed on Nasdaq Stockholm.

The total number of shares in the company totals 102,383,430 shares, divided into 22,166,400 Series A shares and 80,217,030 Series B shares. The number of votes totals 301,881,030. Series A shares carry ten votes and B shares one vote. All shares are equally entitled to dividends.

At present, there are two shareholders who each own and control more than ten per cent of the voting rights for all shares in the company. Petter Fägersten controls 17.24 per cent of the capital, and 52.61 per cent of the voting rights. The Pomona Group holds 29.84 per cent of the capital, and 29.44 per cent of the votes. The number of shareholders as of the balance sheet date was 4,369 (4,351). See also distribution of shares and owners on pages 10-13.

DIVIDEND POLICY

Dividends over a longer period must follow the result and correspond to at least 30% of the company's profit after tax. However, any dividend should be adjusted to the company's investment needs and any eventual share repurchase program. The Board of Directors proposes to the Annual General Meeting 2020 that no dividend be paid for the 2019 financial year.

RISKS AND UNCERTAINTY FACTORS

The Group's most significant risk and uncertainty factors include business and financial risks. The financial risks are managed by the finance policy established 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, suppliers and other external factors. To minimise the effects of business risks, ITAB has taken out insurance with well-established insurance companies in relation to, among other things, fire, transport, theft, liability, interruption and the like. The following is a summary of more significant business risks.

Economic conditions and customers

ITAB is affected by the market conditions and general economic situation in Europe and the rest of the world; mainly the cyclical economy in Europe's retail industry. ITAB is working to create long-term customer relationships with large, well-established chains in both the grocery and specialist trades across Europe. These chains often have the capacity to expand, regardless of the business cycle. Part of ITAB's offer also includes rebuilding and re-profiling, which is done regardless of the business cycle. With large, established chains as customers, ITAB can have an impact on eventual increases or decreases in customers' investment programs, as the volumes involved are comprehensive. This can be difficult to compensate for in the short term, in the case of either an increase or decrease in investment programs.

Production facilities

ITAB's production operations consist of a chain of processes where interruptions or discontinuity at any point can have consequences for ITAB's ability to fulfill its commitments to customers. The Group has 18 production facilities in Europe, China and Argentina with a total area of approximately 300,000 m2. The largest production facilities are located in China, the Czech Republic, Finland, France, Germany, Italy, Sweden, and the United Kingdom. The units are complemented by local, flexible production facilities tailored to the specific needs of market areas. The scope of any stop in production is therefore limited to a particular part of the market or a certain type of product. The number of proprietary plants and their location, mainly in northern and central Europe, means that ITAB can temporarily move production to minimise impact on customers. ITAB also has a wide network of subcontractors at its disposal. For the purpose of prevention, analyses have been carried out to identify any risks associated with the production process. Activity lists with preventative measures are established and continuous follow-ups are made. The activity lists include investments, back-up systems and working methods.

Read about ITAB's larger facilities on page 18-19.

Input goods

In terms of input goods, metal is the dominant raw material. Commodity prices are dependent on world market prices and currency development, but also production capacity. However, price variations for raw materials have a limited effect on the Group's profit, as many customer agreements contain raw material clauses. Price risk management is part of the company's day-to-day work, and is continuously evaluated.

Distribution

ITAB is dependent on external partners for the transport of input goods to the company's production facilities, and delivery of products to customers. Possible delivery disruptions can affect customer commitments. ITAB always works with more than one transport partner to minimise the risk of delivery delays. The strategic location of production facilities in Europe means that proximity to the market facilitates reliability of deliveries.

IT systems

ITAB depends on a functioning IT infrastructure. Difficulties in maintaining, upgrading and integrating systems as well as system interruptions can lead to disruptions in production and administration.

The various elements of the IT environment are of differing importance to ITAB. Data communication and business systems are critical, while other systems can suffer interruptions without jeopardising operations. For this reason, ITAB chooses standard solutions to the greatest possible extent. This applies to both IT infrastructure and choice of systems/applications. In this way, ITAB can make clear requirements for specific and defined service deliveries. To ensure availability and access to each service, service level agreements are linked to designated service deliveries. The greater the impact of a break in a particular service on ITAB's operations, the higher the level of service is required.

Laws and taxes

ITAB conducts operations in several countries. New laws, taxes or regulations in different markets may impose restrictions on the business or impose new, increased requirements. ITAB makes regular assessments of legal issues in order to anticipate and prepare the business for any changes. Provisions for litigation, tax disputes, etc. are based on an estimate of the costs, supported by legal advice and available information. A report of financial risks is presented in note 4.

ENVIRONMENTAL IMPACT

The Group conducts reporting activities according to the Environmental Code in three Swedish subsidiaries. The Parent Company does not conduct any business subject to notifiability. For 2019, ITAB has prepared a report for its sustainability work, supported by GRI's guidelines. For more information, see pages 24-33 and 98-99.

RESEARCH AND DEVELOPMENT

The Group's companies carry out continuous product development – partly in collaboration with customers, partly in-house – to develop new and improve existing products. Most of the Group's product development relates to self-checkout and lighting products as well as digital solutions for physical stores. In 2019, SEK 22 million (18) was capitalised as development expenditure and reported as intangible assets. Depreciation of development costs is charged with earnings of SEK 19 million (15).

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THE WORK OF THE BOARD THIS YEAR

ITAB's Board of Directors consists of eight ordinary members. Among the members elected by the AGM are individuals representing ITAB's larger owner, as well as independent members. For more information, see the table on page 95.

The President and other officers of the Group participate in Board meetings, acting as rapporteur or in administrative functions.

During the 2019 fiscal year, the Board held seven regular meetings and three additional meetings. At each regular meeting, in addition to business information, there are fixed report and decision points in accordance with the Board's rules of procedure. The Board also takes a position on issues of a general nature such as the Group's strategy, structural and organisational issues and major investments.

The Audit Committee handles the Board's control function. The company's auditor attends at least one of the board's meetings annually. On such occasions, the auditor's observations concerning the company's accounts, routines and internal control are reported and reviewed.

NOMINATION COMMITTEE

The company must have a nomination committee. The committee shall submit proposals to the Chairman and other members of the Board, as well as recommendations for fees and other remuneration for Board assignments to each of the Board members. In assessment of the Board's evaluation and in its proposals, the nomination committee shall pay particular attention to the requirement for versatility and breadth in the Board and to strive for an even gender distribution. The nomination committee shall also submit proposals for election and remuneration of the auditor. At the 2019 AGM, a nomination committee consisting of Anders Rudgård (chair), Fredrik Rapp and Ulf Hedlundh was appointed. Prior to the 2020 Annual General Meeting, the nomination committee has so far held one recorded meeting. In addition to this, the nomination committee has been in contact on a number of occasions.

AGREEMENTS

In 2019, the company has had an agreement with Board member Jan Frykhammar, who assisted the company with consulting services in his normal professional area of expertise. There are no other agreements between the company and the members of the Board of Directors, apart from agreements relating to Board directorships.

CORPORATE GOVERNANCE

ITAB's corporate governance is based on Swedish legislation and the listing agreement with NASDAQ Stockholm. On various issues, the directives issued by authorities and stakeholders in Swedish trade and industry as well as in the financial market are also applied. Governance, management and control are distributed among the shareholders at the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act and the company's articles of association and rules of procedure.

From 1 July 2008, all companies listed on NASDAQ Stockholm must comply with the "Swedish Code of Corporate Governance", (the Code). ITAB's Corporate Governance Report is prepared separately from the Directors' Report and can be found on pages 92-95.

AUTHORISATIONS FOR THE BOARD

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

The Annual General Meeting also decided to authorise the Board to make decisions on the acquisition and transfer of own shares. The authorisation is intended to give the Board increased leeway in its work with the company's capital structure and, if deemed appropriate, enable convertible programs for the Group's employees or the acquisition of operations through payment with the company's shares. The Board of Directors shall, on one or more occasions, be able to make such decisions to be implemented before the 2020 Annual General Meeting.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

Guidelines regarding remuneration to senior executives are presented in Note 8. No significant changes are proposed ahead of the 2020 AGM. However, proposed guidelines are more detailed, as a result of a new ownership directive and amendments to the Swedish Companies Act and the Code.

CONVERTIBLE SUBORDINATED LOANS 2016/2020

On 11 May 2016, the Annual General Meeting of ITAB Shop Concept AB resolved to approve the Board's proposal to issue a maximum of SEK 1,950,000 convertibles for a total nominal maximum of SEK 275,000,000, with a term from July 1, 2016 to June 30, 2020. Notification of subscription was made during the period May 26 through June 8, 2016. Interest in the convertible program was considerable, with approximately 440 employees across 13 countries choosing to participate and the issue was oversubscribed by just over 50 per cent. Employees within the ITAB Group have been allocated 1,950,000 convertibles at a share price of SEK 86, corresponding to a nominal SEK 167,700,000. The convertible interest rate amounts to STIBOR 3M with the addition of 2.20 percentage points and is paid annually in arrears. Each convertible can be converted into a Class B share in ITAB during the period 1 June 2020 to 12 June 2020. If all convertibles are converted to shares, the dilution will be approximately 1.9 per cent of the share capital and approximately 0.6 per cent of the voting rights, based on the current total number of shares.

OUTLOOK

Today, ITAB has a unique market position in the industry. The market has been in a transformational phase for a number of years, characterised by shorter foresight and reduced order values. The Group is therefore conducting a work transformation where improvements in exploiting economies of scale and establishing common working methods are prioritised. A new strategy will set the direction for transformation towards a modern, cost-effective and even more strongly-positioned ITAB. To support this, a new organisational structure has been launched.

The prevailing market situation and our transformation work mean that we do not expect any significant improvement in our economic key figures in 2020, however, our transformation work and our new strategy will create the conditions for growth and improvements in the longer term.

The outbreak of COVID-19 (Coronavirus) has had impact on the groups operations during the start of 2020. ITABs operations in China and several of the European production units have significantly reduced production as a result of a reduced workforce and difficulties to support the production with incoming goods. This has led to a decreased delivery capacity and delays in deliveries to some of ITABs customers. Also the demands of the products of ITAB have been affected which resulted in announcements of redundancies and reductions of staff members and temporary workers . It is difficult to predict the full financial effects of COVID-19 for ITAB but they will have a significant impact to the Group in 2020.

PROPOSED ALLOCATION OF PROFITS

PARENT COMPANY	2019
The following funds are at the disposal of the Annual General Meeting: (SEK)	
Share premium reserve	310,155,670
Profit brought forward	586,077,735
Net profit for the year	126,111,123
TOTAL	**1,022,344,528**

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

To be carried forward to a new account	1,022,344,528
TOTAL	**1,022,344,528**

FINANCIAL REVIEW – FIVE YEARS IN SUMMARY

Income statements (SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018	2017	2016	2015
Revenue from contracts with customers	6,064	6,064	6,031	6,381	5,417	5,193
Cost of goods sold	-4,441	-4,445	-4,423	-4,552	-3,923	-3,729
GROSS PROFIT [1]	**1,623**	**1,619**	**1,608**	**1,829**	**1,494**	**1,464**
Selling expenses	-1,183	-1,187	-1,140	-1,071	-861	-757
Administrating expenses	-286	-287	-294	-305	-255	-221
Other operating income and expenses	103	103	56	47	-7	22
OPERATING PROFIT [1]	**257**	**248**	**230**	**500**	**371**	**508**
Financial items	-83	-68	-73	-68	-10	-32
PROFIT AFTER FINANCIAL ITEMS [1]	**174**	**180**	**157**	**432**	**361**	**476**
Tax on the year's income	-54	-55	-60	-103	-101	-102
NET PROFIT FOR THE YEAR	**120**	**125**	**97**	**329**	**260**	**374**
Related to:						
Parent Company shareholders	120	125	90	319	241	350
Non controlling interests	0	0	7	10	19	24

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

Balance sheets (SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018	2017	2016	2015
Assets						
Intangible assets	1,837	1,837	1,807	1,752	1,597	755
Property, plant and equipment	1,606	860	939	945	865	549
Other non-current assets	130	128	109	113	107	48
NON-CURRENT ASSETS	**3,573**	**2,825**	**2,855**	**2,810**	**2,569**	**1,352**
Inventory	926	926	1,019	1,174	1,036	859
Current receivables	1,095	1,095	1,219	1,388	1,306	844
Cash and cash equivalents	302	302	271	285	404	258
CURRENT ASSETS	**2,323**	**2,323**	**2,509**	**2,847**	**2,746**	**1,961**
TOTAL ASSETS	**5,896**	**5,148**	**5,364**	**5,657**	**5,315**	**3,313**
Equity and liabilities						
Equity attributable to Parent Company's shareholders	1,748	1,754	1,598	1,664	1,512	1,463
Non controlling interests	128	128	128	120	122	83
Deferred tax liabilities	48	48	54	72	77	52
Convertible debenture loan	165	165	162	188	185	69
Other non-current liabilities	1,989	1,356	1,550	1,399	1,083	164
Other current liabilities	1,818	1,697	1,872	2,214	2,336	1,482
TOTAL EQUITY AND LIABILITIES	**5,896**	**5,148**	**5,364**	**5,657**	**5,315**	**3,313**

Cash flow (SEK millions)	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018	2017	2016	2015
Cash flow before change in working capital	285	160	163	343	378	465
Change in working capital	193	193	337	-153	18	-54
CASH FLOW FROM OPERATING ACTIVITIES	**478**	**353**	**500**	**190**	**396**	**411**
Cash flow from investing activities	34	34	-242	-295	-919	-166
CASH FLOW AFTER INVESTING ACTIVITIES	**512**	**387**	**258**	**-105**	**-523**	**245**
Cash flow from financing activities	-489	-364	-280	3	653	-109
CASH FLOW FOR THE YEAR	**23**	**23**	**-22**	**-102**	**130**	**136**

Key ratios	2019	EXCLUDING EFFECTS OF IFRS16 2019	2018	2017	2016	2015
Operating margin %	4.2	4.1	3.8	7.8	6.8	9.8
Profit margin %	2.9	3.0	2.6	6.8	6.7	9.2
Interest-coverage ratio, multiple	2.9	3.4	3.0	7.8	10.5	16.6
Equity related to the Parent Company's shareholders, SEK millions	1,748	1,754	1,598	1,664	1,512	1,463
Equity, SEK millions	1,876	1,882	1,726	1,784	1,634	1,546
Risk-bearing capital, SEK millions	2,089	2,095	1,942	2,044	1,896	1,667
Interest-bearing net debt, SEK millions	2,509	1,755	2,104	2,130	1,722	721
Balance sheet total, SEK millions	5,896	5,148	5,364	5,657	5,315	3,313
Equity/assets ratio, %	31.8	36.6	32.2	31.5	30.7	46.7
Share of risk-bearing capital, %	35.4	40.7	36.2	36.1	35.7	50.3
Return on equity, %	6.9	7.2	5.4	20.5	16.5	26.2
Return on capital employed, %	5.4	6.2	5.5	12.4	13.6	20.0
Return on total capital, %	4.3	4.7	4.1	9.0	10.2	15.0
Depreciation according to plan, SEK millions	275	143	142	139	111	88
Net investments excl. business acquisitions, SEK millions	-7	-7	100	194	182	110
Net investments attributable to corporate transactions, SEK millions	27	27	142	101	737	56
Net investments, SEK millions	-34	-34	242	295	919	166
Average number of employees, no.	3,247	3,247	3,384	3,599	3,097	2,829

This annual report has been prepared in accordance with the new standard for leases, IFRS 16. The comparative figures have not been recalculated.
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.

COMMENTS ON FIVE YEARS IN SUMMARY

NET SALES

Over the past five years, ITAB's average annual net sales growth has been 9%. Primarily, the acquisitions of New Store Europe and the La Fortezza Group contributed most positively to 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 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.

In 2019, net sales increased by SEK 33 million, an increase of 1%. Currency-adjusted net sales decreased by 1%. Net sales increased slightly in Southern Europe, Eastern Europe and the UK, while Northern Europe decreased. The largest customer group Grocery increased, while Fashion and Construction and Home improvements decreased.

PROFITABILITY

During the five-year period, operating income varied between a minimum of SEK 230 million (2018) and a maximum of SEK 508 million (2015). The operating margin during the five-year period has been between 3.8% and 9.8%. Profit after net financial items amounted to SEK 157 million (2018) and SEK 476 million (2015). The profit margin during the five-year period has been between 2.6% and 9.2%.

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.

2019 profit was in line with the 2018 result. Profits were negatively impacted by restructuring costs related to the growth and efficiency program launched in 2018. Impairment of assets as well as organisational changes and staff reductions also reduced earnings. Capital gains on properties and repayment of purchase price paid had a positive impact on earnings. The Group's return on equity after tax has averaged around 15% over the past five years.

INVESTMENTS

During the period 2015-2019, net investments, excluding corporate acquisitions, accounted for most of three per cent of net sales.

The Group's investments during the period mainly consisted of machine equipment with a focus on unmanned operations, high utilisation of resources, but mostly technical development. In 2017 and 2018, the Group invested in a larger production facility with the aim of securing a sustainable and efficient distribution to mainly European customers' establishments in Asia, and in the long term, to other players in the market. ITAB is therefore well equipped for the future and investment needs in the coming years are expected to be limited. A significant portion of net investment has consisted in the development of various self-checkout solutions for stores.

The five-year investment attributable to corporate acquisitions has been focused on strengthening the position as a complete supplier of store furnishings to the Group's selected markets, and on strengthening and supplementing the product portfolio in certain areas.

FINANCIAL DEVELOPMENT

The balance sheet total has increased from SEK 3,313 million in 2015 to SEK 5,896 million in 2019. This increase is partly due to acquisitions made, and partly to the investments in production equipment made during the period. The transition to IFRS 16 (Leasing) made on January 1, 2019 increased the balance sheet total by SEK 725 million. The expansion has been achieved with the help of a positive cash flow from operating activities as well as from bank financing, mainly in connection with the 2016 acquisition. Interest-bearing net debt excluding leasing debt was SEK 721 million in 2015. Net debt then increased – mainly due to acquisitions – to SEK 2,130 million in 2017, reduced to SEK 1,755 million in 2019, as a result of reduced working capital and a lower level of investment. The Group's equity/assets ratio has, during the past five years, been at a level between 31% and 47%, and the share of risk-bearing capital has varied between 35% and 50%.

Items that do not belong to regulation operations, known as non-recurring items	2019	2018	2017	2016
Acquisition, integration and restructuring costs	-70	-63	-10	-95
Revaluation/settlement, additional purchase sums, acquisitions	42	34	45	
Sale of property and restructuring work, Belgium	44	15		
	16	**-14**	**35**	**-95**

Impact of non-recurring items in the income statement	2019	2018	2017	2016
Gross Profit	-31	-37	-5	-61
Operating profit	16	-8	35	-95
Profit after net financial items	16	-14	35	-95

INCOME STATEMENT - GROUP

(SEK millions)	Note	2019	2018
Revenue from contracts with customers	6	6,064	6,031
Cost of goods sold	8, 9, 10, 11	-4,441	-4,423
GROSS PROFIT		**1,623**	**1,608**
Selling expenses	8, 9, 10, 11	-1,183	-1,140
Administrating expenses	8, 9, 10, 11	-286	-294
Other operating income	12	121	91
Other operating expenses	12	-18	-35
OPERATING PROFIT		**257**	**230**
Financial income	14	7	6
Financial expenses	14	-90	-79
PROFIT AFTER FINANCIAL ITEMS		**174**	**157**
Tax expenses for the year	16	-54	-60
NET PROFIT FOR THE YEAR		**120**	**97**
Net Profit for the year related to:			
Parent Company shareholders		120	90
Non-controlling interests		0	7
EARNINGS PER SHARE	17		
basic, SEK		1.17	0.88
diluted, SEK		1.17	0.88

STATEMENT OF OTHER COMPREHENSIVE INCOME – GROUP

(SEK millions)	Note	2019	2018
NET PROFIT FOR THE YEAR		**120**	**97**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement:			
Revaluation of defined-benefit pension commitments	29	-6	1
Tax relating to items not to be reclassified	16	1	0
		-5	1
Items that may be reclassified to the income statement:			
Translation difference when translating foreign operations		48	13
Change in fair value of hedges of net investments		-2	5
Change in fair value of cash flow hedges		-18	-5
Change in fair value of cash flow hedges transferred to the year's profit or loss		6	17
Tax on items that may be reclassified	16	3	-4
	25	37	26
TOTAL OTHER COMPREHENSIVE INCOME		**32**	**27**
YEAR'S COMPREHENSIVE INCOME		**152**	**124**
The year's comprehensive income related to:			
Parent Company shareholders		150	115
Non-controlling interests		2	9

STATEMENT OF FINANCIAL POSITION – GROUP

(SEK millions)	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		1,669	1,634
Other intangible assets		168	173
	6,10,18	**1,837**	**1,807**
Property, plant and equipment			
Buildings and land		1,193	460
Plant and machinery		250	256
Equipment, tools and installations		131	105
Construction in progress and advance payments for property, plant and equipment		32	118
	6,10,19,22	**1,606**	**939**
Associated companies	20	15	-
Deferred tax assets	16	107	102
Financial non-current assets	21	8	7
		130	**109**
TOTAL NON-CURRENT ASSETS		**3,573**	**2,855**
CURRENT ASSETS			
Inventory	23	926	1,019
Accounts receivable	21	876	945
Current tax assets		56	54
Derivatives	21	-	3
Other receivables	21	68	96
Prepaid expenses and accrued income	6,21,24	95	121
Cash and cash equivalents	21	302	271
TOTAL CURRENT ASSETS		**2,323**	**2,509**
TOTAL ASSETS		**5,896**	**5,364**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		43	43
Other contributed capital		315	315
Other reserves		44	9
Profit brought forward including net profit for the year		1,346	1,231
Equity attributable to Parent Company's shareholders		**1,748**	**1,598**
Non-controlling interests		128	128
TOTAL EQUITY	25	**1,876**	**1,726**
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	21	1,274	1,469
Lease liabilities	21,22	640	6
Convertible debenture loan	21,28	-	162
Derivative liabilities	21	23	14
Other non-current liabilities	21	4	4
Provisions for pensions and similar obligations	29	40	38
Provision for deferred tax liabilities	16	48	54
Other non-current provisions	30	8	19
		2,037	**1,766**
CURRENT LIABILITIES			
Liabilities to credit institutions	21	261	365
Lease liabilities	21,22	123	3
Convertible debenture loan	21,28	165	-
Overdraft facilities	21,27	321	358
Derivative liabilities	21	4	1
Advance payments from customers	6,21	17	24
Accounts payable	21	627	619
Current tax liabilities		19	40
Other liabilities	21	108	112
Accrued expenses and prepaid income	6,21,31	330	343
Current provisions	30	8	7
		1,983	**1,872**
TOTAL EQUITY AND LIABILITIES		**5,896**	**5,364**

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	Attributable to non-control-ling interest	Total equity
SHAREHOLDERS' EQUITY 1 JAN 2018	**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**
Net profit for the year				120	120	0	120
Revaluation of defined-benefit pension commitments				-5	-5		-5
Translation difference, foreign operations			46		46	2	48
Hedging of net investment			-2		-2		-2
Hedging of cash flow			-9		-9		-9
YEAR'S COMPREHENSIVE INCOME			**35**	**115**	**150**	**2**	**152**
Acquisition of non-controlling interests				0	0	-2	-2
SHAREHOLDERS´ EQUITY 31 DECEMBER 2019	**43**	**315**	**44**	**1,346**	**1,748**	**128**	**1,876**

STATEMENT OF CASH FLOWS – GROUP

Indirect method (SEK millions)	Not	2019	2018
Operating activities			
OPERATING PROFIT		**257**	**230**
Adjustment for items not included in the cash flow			
depreciation regarding right of use lease	10,22	135	5
depreciation and impairment charged to operating profit	10	140	137
adjustment for pensions and other provisions		-13	0
profit from acquired operations not affecting cash flow	5	0	-35
other items		-61	-16
TOTAL		**458**	**321**
Interest received		5	3
Interest paid		-89	-76
Tax paid		-89	-85
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**285**	**163**
Change in working capital			
Changes in inventories (increase -/decrease +)		90	178
Changes in operating receivables (increase -/decrease +)		163	202
Changes in operating liabilities (increase +/decrease -)		-60	-43
Total change in operating capital		**193**	**337**
CASH FLOW FROM OPERATING ACTIVITIES[1]		**478**	**500**
Investing activities			
Acquisition of operations/Group companies, effect on cash and cash equivalents	5	-2	-2
Additional considerations paid and adjusted purchase prices	5,12	41	-140
Acquisition of associated companies	5	-15	-
Divestment of subsidiary	5, 12	3	-
Purchase of intangible assets	18	-24	-21
Purchase of property, plant and equipment	19	-140	-131
Sale of property	19,12	141	51
Sale of plant and equipment	19,12	30	1
Cash flow from investing activities		**34**	**-242**
CASH FLOW AFTER INVESTING ACTIVITIES		**512**	**258**
Financing activities			
Repayment of convertible debenture loan		-	-30
Amortised loans	21	-530	-166
Amortised lease liabilities	21	-125	0
New loan raised	21	166	95
Paid dividend to shareholders		-	-179
Cash flow from financing activities		**-489**	**-280**
CASH FLOW FOR THE YEAR		**23**	**-22**
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		271	285
Translation differences on cash and cash equivalents		8	8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**302**	**271**
[1] *Cash flow from operating activities excluding effect of IFRS16.*		**353**	**500**

INCOME STATEMENT - PARENT COMPANY

(SEK millions)	Note	2019	2018
Net sales	7	166	48
Cost of goods sold	7,8,9,11	-15	-13
GROSS PROFIT		**151**	**35**
Selling expenses	7,8,9,11	-56	-28
Administrating expenses	7,8,9,10,11	-45	-33
Other operating income	12	8	18
Other operating expenses	12	-6	-17
OPERATING PROFIT		**52**	**-25**
Income from participations in Group companies	13	221	370
Expenses from participations in Group companies	13	-75	-99
Financial income	14	39	27
Financial expenses	14	-103	-145
PROFIT AFTER FINANCIAL ITEMS		**134**	**128**
Year-end appropriations	15	-7	42
PROFIT BEFORE TAX		**127**	**170**
Tax expenses for the year	16	-1	18
NET PROFIT FOR THE YEAR		**126**	**188**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(SEK millions)	Note	2019	2018
Net profit for the year		126	188
Other comprehensive income		-	-
YEAR'S COMPREHENSIVE INCOME		**126**	**188**

BALANCE SHEET – PARENT COMPANY

(SEK millions)	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Equipment, tools and installations	10,19	8	9
Financial non-current assets			
Participations in Group companies	20	2,095	2,096
Associated companies	20	15	-
Non-current receivables, Group companies	21	25	52
Deferred tax assets	16	31	32
TOTAL NON-CURRENT ASSETS		**2,174**	**2,189**
CURRENT ASSETS			
Receivables, Group companies	21	920	986
Current tax assets		4	4
Prepaid expenses and accrued income	24	10	13
Cash and bank balance	21	0	0
TOTAL CURRENT ASSETS		**934**	**1,003**
TOTAL ASSETS		**3,108**	**3,192**
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		586	398
Net profit for the year		126	188
		1,022	**896**
TOTAL EQUITY	25,26	**1,072**	**946**
NON-CURRENT LIABILITIES			
Liabilities to credit institutions		1,260	1,385
Liabilities to Group companies		0	1
Convertible debenture loan	28	-	162
	21	**1,260**	**1,548**
CURRENT LIABILITIES			
Liabilities to credit institutions		203	260
Convertible debenture loan	28	165	-
Overdraft facilities	27	285	380
Accounts payable		8	3
Liabilities to Group companies		83	39
Other liabilities		4	2
Accrued expenses and prepaid income	31	28	14
	21	**776**	**698**
TOTAL EQUITY AND LIABILITIES		**3,108**	**3,192**

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 2018		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		43	7	310	398	188	**946**
Previous year's profit transferred					188	-188	**0**
Net profit for the year						126	**126**
Paid dividends					-		**0**
SHAREHOLDERS' EQUITY 31 DECEMBER 2019	25,26	43	7	310	586	126	**1,072**

STATEMENT OF CASH FLOWS – PARENT COMPANY

(SEK millions)	**Note**	**2019**	**2018**
Operating activities			
OPERATING PROFIT		**52**	**-25**
Adjustment for items not included in the cash flow			
depreciation charged to operating profit		2	1
TOTAL		**54**	**-24**
Dividends received from subsidiaries		221	370
Interest received		39	27
Interest paid		-63	-66
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**251**	**307**
Change in working capital			
Changes in operating receivables (increase -/decrease +)		1	7
Changes in operating liabilities (increase +/decrease -)		18	0
Total change in operating capital		**19**	**7**
CASH FLOW FROM OPERATING ACTIVITIES		**270**	**314**
Investing activities			
Acquisition of subsidiaries	20	-	-141
Acquisition of associated companies	20	-15	-
Purchase of property, plant and equipment	19	0	-2
Cash flow from investing activities		**-15**	**-143**
CASH FLOW AFTER INVESTING ACTIVITIES		**255**	**171**
Financing activities			
Repayment of convertible debenture loan		-	-30
Amortised loans		-424	-164
New loan raised		154	248
Lending to Group companies		22	-88
Group contributions	15	-7	42
Paid dividend to shareholders		0	-179
Cash flow from financing activities		**-255**	**-171**
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 24 March 2020.

NOTE 2. ACCOUNTING PRINCIPLES

COMPLIANCE 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 2019

Management assessments of relevant changes to and interpretations of existing standards that have been applied as of January 1, 2019 are presented below. Other changes are not expected to have a material impact on the Group's or Parent Company's financial reports.

IFRS 16 Leasing Agreements. IFRS 16 replaced IAS17 as from 1 January 2019.

ITAB has applied the new standard by using the simplified transition method, which means that the comparative figures have not been recalculated. The cumulative effect of applying IFRS 16 was reported on January 1, 2019. Long-term operational leases are reported as fixed assets and financial liabilities in the consolidated statement of financial position. Instead of operational leasing costs, ITAB reports depreciation and interest expenses in the consolidated income statement.

Lease liabilities attributable to leasing agreements that have previously been classified as operational leases according to IAS 17 are valued at the present value of the remaining lease payments, discounted using the marginal loan interest rate as of January 1, 2019. ITAB recognise a right of use asset at an amount corresponding to the lease liability. As a result, the transition to IFRS 16 has no significant impact on equity. ITAB applies the practical exemptions regarding reporting payments attributable to short-term leases and leases for assets of a low value as an expense in the income statement. ITAB does not apply IFRS 16 for intangible assets. Non-lease components are expensed and are not reported as part of the right of use or the lease liability.

The transition to IFRS 16 has had the following impact on the Group's consolidated statement of financial position at the time of the transition, i.e. 1 January 2019:

Right of use asset	SEK 725 million
Financial lease liability	SEK 725 million

ITAB´s leasing agreements are attributable to properties, machinery and vehicles. When determining the above amounts, the most significant assessments were 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 considered include strategic plans, restructuring programs, the importance of the underlying asset to ITAB's activities and/or costs attributable to not extending or terminating leases.

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 2020 or later, and have not been applied in the preparation of this financial report. No new standards, amended standards or IFRIC interpretations published by the IASB are expected to have any material impact on the financial statements of the Group or the parent company.

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.

ASSOCIATE ACCOUNTING

Associated companies are companies for which the Group has a significant influence, but not a controlling influence. A significant influence means the opportunity to influence operating and financial governance of the company and is normally achieved when the Group's participation amounts to between 20 and 50 per cent of the voting rights.

From the time the significant influence is achieved, participations in associated companies are recognised in accordance with the so-called equity method in the consolidated accounts. The equity method means that participations in an associated company are recognised at acquisition value at the time of acquisition and thereafter adjusted with the Group's portion of the change in the associated company's net assets.

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 with a high inflation currency are reported in accordance with IAS 29. In 2019, 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.

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.

LEASING

ITAB is only a lessee, not lessor. IFRS 16 establishes principles for accounting, valuation, presentation and disclosure of leasing agreements. According to IFRS 16, assets and liabilities attributable to leasing agreements – with the exception of short-term leasing agreements or agreements relating to low-value assets – must be recognised in the statement of financial position. This accounting is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for this right.

A lessee must report:

(a) rights of use and leasing liabilities for all leases with a contract term longer than 12 months, unless the underlying asset is of low value;

b) Depreciation of rights of use, deducted from interest expenses on lease liabilities in the income statement.

At the commencement date of a lease, a lessee determines the lease term as the non-cancellable period, together with periods covered by an extension or termination option if they are reasonably usable. The lease debt is valued at the present value of the lease fees that were not paid at the commencement date. Leasing fees are discounted with the implied interest rate if it can be easily determined, otherwise the lessee's marginal loan interest rate is used. The rights of use are valued at the commencement date to the sum of the lease debt plus (i) prepaid lease fees (less any benefits received), (ii) initial direct expenses and (iii) an estimate of restoration costs.

After the commencement date, the right of use is valued using the cost method, that is when the cost method is applied, the asset is measured at cost less accumulated depreciation and any impairment, taking into account the revaluation of the lease debt. The lease debt increases with interest costs, decreases with paid lease fees and is revalued to reflect any re-examination or amendment of the lease agreement.

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a lease agreement. An agreement is, or contains, a lease agreement if the agreement assigns the right to decide over a certain period of use over an identified asset in exchange for compensation.

ITAB's leasing portfolio consists mainly of real estate, machinery and vehicles. The Group recognises in the statement of financial position rights of use and leasing liabilities attributable to the leasing agreements. Depreciation for right of use assets and interest on leasing liabilities are reconised in the income statment. The leasing fee is divided between amortisation of the lease debt and payment of interest.

All lease payments are discounted to present value using the implicit interest rate in the agreement, or ITAB's marginal loan interest rate.

ITAB applies the practical exemptions in IFRS16 regarding short-term leases, which are defined as agreements where the initial lease period is a maximum of twelve months after consideration of extension options, and leases where the underlying asset is of low value, which in the Group, for example, consists of office equipment. ITAB does not apply IFRS 16 for intangible assets. Non-lease components are expensed and are not reported as part of the right of use or lease liability.

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

Depreciation plan for right of use assets

Buildings, production	8 - 15 years
Buildings, offices and warehouses	3 - 10 years
Machinery and equipment	3 - 10 years

Assets' utilisation period and residual values are reviewed regulary and adjusted regulary as needed.

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, IFRS 16 is not applied, instead the lease fee is recognised as an expense on a straight-line basis over the lease period.

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.

LEASING

Important sources of uncertainty in estimates

ITAB applies IFRS16 Leasing from the 1st of January 2019. Lease liabilities attributable to long-term lease agreements, which previously according to IAS 17 would have been classified as operational leases, are now valued at the present value of the remaining lease payments, discounted using the marginal borrowing rate. ITAB recognises from 1st of January the right of use asset to an amount corresponding to the lease liability. Determine the terms of the lease and the marginal borrowing rate are estimates and judgements that affect the value of the lease liabilities and right of use assets.

Estimates and judgements

When determining the lease liability and right to use asset 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 established, ITAB takes into consideration all facts and circumstances that provide a financial incentive to utilise an option to extend or renounce an option to terminate the 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.

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
Leasing	22
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 2019, there were cash flow hedges of projected flows in EUR, GBP, CZK and CNH. The fair value of the forward agreements used to hedge forecast flows amounted to net SEK 2 million (4).The year's change in fair value, SEK -2 million (7) after tax, has been recognised in Comprehensive income. The recovered results of the forward agreements amounted to SEK 3 million (-8) before tax for 2019, 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 2019, a 5 per cent change in the Swedish krona exchange rate would affect invoicing by about SEK 256 million (256) and net earnings by about SEK 8 million (7).

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 928 million (790) 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 2019, recognised against comprehensive income in the Group. Exchange rate fluctuations in 2019 had an impact on the Group's comprehensive income in the amount of SEK 47 million (18) after tax. At the end of 2019, the fair value of the currency swap contracts is estimated at SEK -3 million (-2).

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

Currency SEK million	31-12-2019	31-12-2018
CZK	252	101
NOK	45	82
GBP	76	116
EUR[1)]	53	216
USD, HKD,CNY	361	138
Other	141	137
	928	**790**

[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 15 months.

Currency	31-12-2019	31-12-2018
SEK	294	200
USD	-	9
CNH	31	5
CZK	107	143
GBP	-3	-8
EUR	-33	-25

Average exchange rate, currency swaps	31-12-2019
EUR/SEK	10.7226
EUR/CZK	26.2648
EUR/CNH	7.7695
GBP/SEK	11.9247

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 2,509 million (2,104) on the closing day. SEK 1,883 million (1,488) is financed with variable interest. The remaining SEK 626 million (656) is restricted through interest rate swap agreements and has an average fixed rate period of 54 (62) months. The average interest rate for outstanding interest-bearing liabilities (excl. leasing) was 3.08% (3.96) at year-end. A one percentage point change in interest would affect net earnings by approximately SEK 13 million (9) 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 -10 million (3), of which SEK 8 million (10) has been transferred to the profit or loss for the year.

Derivative instruments

Interest rate swap agreement	31-12-2019 Nominal amount (SEK millions)	31-12-2018 Nominal amount (SEK millions)
Duration less than 1 year	85	46
Duration 1-3 years	51	131
Duration 3-5 years	186	153
Duration 5-10 years	304	326
	626	**656**

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 876 million (945).

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 1,275 million (1,367). 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	2019	2018
Total purchase sum excluding acquisition expenses:	17	3
of which unpaid purchase sum during the year	-	1

Acquisitions and divestment have affected 2019's net investment by a total of SEK 27 million. The 2019 net investments include paid additional purchase sum from the acquisition of the subsidiary Pulverlacken in Hillerstorp AB in Sweden and Reklamepartner A / S in Norway from previous years' acquisitions of SEK 1 million.

ACQUISITION 2019

Acquisition of associated company

In July 2019, ITAB acquired a 30 percent stake in Ombori Apps AB to a purchase price of SEK 15 million. Ombori has developed a platform that provides opportunities for interaction between a digital store and the consumer and can be quickly adapted for different applications in the store. With Ombori as a long-term strategic partner, ITAB, in combination with other products and services, can continue to design and deliver unique stores with unique customer experiences. During 2018, Ombori Apps AB had sales of approximately SEK 7 million. Holdings in Ombori are managed as associated companies according to the equity method and are initially valued at cost. ITAB's reported value of the holding includes intangible assets and goodwill identified at the acquisition. Ombori conducts similar operations as the Group in general and the share of profit, including depreciation of surplus values, will therefore be reported in operating profit. Cash flow during the third quarter of 2019 was affected by the purchase price SEK 15 million.

Acquisition of non controlling particitaions

In July 2019, the remaining 10% of the jointly owned company La Fortezza Asia SDN BHD (Malaysia) was acquired through subsidiaries. The purchase price was SEK 2 million. 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 controlling influence prior to acquisition and purchase price is reported directly in equity attributable to the Parent Company's shareholders (SEK 0m). Cash flow during the third quarter of 2019 was affected by the purchase price of SEK 2 million.

Repayment of the purchase sum in respect of D. Lindner companies

In 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. During February 2019, part of the purchase price was repaid, with ITAB receiving EUR 4 million as a result of shortcomings in vendor guarantees in the purchase agreement. The cash flow and operating profit have consequently been positively impacted by approximately SEK 42 million during the first quarter.

EFFECT OF ACQUISITIONS IN 2019

Estimated fair value of assets and liabilities acquired in 2019, 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.

Acquisitions 2019	Fair value
Acquisition of associated companies	15
Acquisition of non-controlling interest	2
Impact for the year on the Group's cash and cash equivalents from acquisitions	**17**
Final settlement and payment of additional purchase sum from acquisitions made previous years	1
Repayment of purchase price for the D. Lindner companies	-42
Impact for the year on the Group's cash and cash equivalents	**-24**

DIVESTMENT OF SUBSIDIARY 2019

In October 2019, ITAB, through subsidiaries, sold 100 percent of the shares in the property company Projektfinans in Hillerstorp AB to a purchase price of SEK 3 million. Sales have affected operating profit by SEK 2 million and cash flow during the fourth quarter of 2019 was affected by the purchase price SEK 3 million.

In 2019, one Ukrainian dormant company and one Swedish dormant company have been divested.

Projektfinans at the time for divestment	Fair value
Property, plant and equipments	3
Interest-bearing liabilities	2
Net identifiable assets and debts	**1**

ACQUISITIONS 2018

Acquisition of non-controlling participations

The MB Shop Design group, which comprised three wholly-owned and one part-owned company (91%), was acquired in May 2016. During 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	Fair value
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**

DIVESTMENTS IN 2018

No companies have been divested during 2018.

1) Conditional purchase sum

The agreed conditional additional purchase sum from 2018 acquisition of holdings without a controlling influence in Pulverlacken i Hillerstorp 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.

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 10% 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 16-17, 44-51.

EXTERNAL NET SALES[1]

The Group	2019	2018
United Kingdom	1,103	1,039
Sweden	640	658
Norway	602	641
Italy	503	451
Germany	410	446
France	321	328
The Netherlands	270	243
Finland	264	289
Russia	192	252
Poland	157	151
Czech Republic	136	139
Denmark	127	152
Spain	121	110
USA	91	118
Argentina	74	80
Lithuania	74	51
Other	979	883
	6,064	**6,031**

[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	2019	2018
Sweden	547	293
China and Hong Kong	242	196
Norway	143	87
Italy	125	77
United Kingdom	118	69
Czech Republic	114	115
Finland	99	47
Germany	92	70
Russia	68	54
Lithuania	64	68
Belgium	1	1
Other	161	35
Goodwill	1,669	1,634
	3,443	**2,746**

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]	2019	2018
Grocery	3,053	2,917
Home improvements	913	1,042
Fashion	824	936
Other customer categories	1,274	1,136
	6,064	**6,031**

[1] The customer groups are divided up according to the sectors within which the customers operate. Almost half of Other customer categories are made up of consumer electronics, pharmacies and health/beauty.

Sales per market [2]	2019	2018
Northern Europe	1,635	1,743
The UK and Ireland	1,145	1,083
Central Europe	1,008	1,028
Southern Europe	1,002	936
Eastern Europe	701	650
Rest of the world	573	591
	6,064	**6,031**

[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	2019	2018
Accrued income	21	45
Contract liabilities		
Advance payments from customers	17	24
Accrued expenses	31	20
Prepaid income	5	16
	53	**60**

Income recognised during the period, of which:	2019	2018
Income included in the opening balance in the item contract liabilities	6	10
Income attributable to commitments wholly or partially executed during previous periods	2	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	2019	2018
Sales of services to subsidiaries	166	48
Purchase of services from subsidiaries	-27	-1

NOTE 8. PERSONNEL AND SENIOR EXECUTIVES

Average number of employees		2019	of which men	of which women	2018	of which men	of which women
Parent Company	Sweden	17	71%	29%	17	71%	29%
Subsidiaries	Argentina	99	91%	9%	117	89%	11%
	Belgium	5	80%	20%	5	80%	20%
	Brazil	1	100%	-	1	100%	-
	Chile	2	100%	-	3	67%	33%
	Denmark	20	65%	35%	28	75%	25%
	Estonia	6	83%	17%	4	100%	-
	Finland	106	83%	17%	123	85%	15%
	France	113	75%	25%	123	77%	23%
	United Arab Emirates	6	83%	17%	7	100%	-
	India	3	67%	33%	3	67%	33%
	Italy	204	75%	25%	214	75%	25%
	China and Hong Kong	625	44%	56%	651	38%	62%
	Latvia	117	84%	16%	140	82%	18%
	Lithuania	137	86%	14%	129	88%	12%
	Malaysia	11	82%	18%	11	82%	18%
	The Netherlands	90	86%	14%	93	86%	14%
	Norway	171	78%	22%	174	76%	24%
	Poland	9	67%	33%	10	60%	40%
	Portugal	-	-	-	4	75%	25%
	Russia	140	76%	24%	141	75%	25%
	Spain	11	73%	27%	10	60%	40%
	United Kingdom	287	78%	22%	296	78%	22%
	Sweden	452	74%	26%	453	71%	29%
	Czech Republic	336	71%	29%	345	71%	29%
	Germany	267	80%	20%	269	80%	20%
	Ukraine	-	-	-	1	-	100%
	Hungary	2	50%	50%	2	50%	50%
	USA	10	40%	60%	10	30%	70%
TOTAL IN SUBSIDIARIES		**3,230**	**71%**	**29%**	**3,367**	**70%**	**30%**
THE GROUP TOTAL		**3,247**	**71%**	**29%**	**3,384**	**70%**	**30%**

Salaries, other remuneration and social security expenses (SEK millions)	2019 Salaries and remuneration	2019 Social security expenses	2018 Salaries and remuneration	2018 Social security expenses
Parent Company	32.3	18.2	24.1	15.7
(of which pension costs)[1]		*5.9*		*6.4*
Subsidiaries	1,127.5	258.2	1,130.3	281.3
(of which pension costs)		*67.6*		*72.6*
GROUP TOTAL	**1,159.8**	**276.4**	**1,154.4**	**297.0**
(of which pension costs)[2]		*73.5*		*79.0*

[1] Of the parent company's pension costs, SEK 1.6 million (1.9) pertains to the Board and CEO. The company's outstanding pension commitments to these persons amount to SEK 0 million (0).
[2] Of the Group's pension costs, SEK 8.5 million (8.5) 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	2019 Board of Directors and CEO	2019 Other employees	2018 Board of Directors and CEO	2018 Other employees
PARENT COMPANY SWEDEN	**11.5**	**20.8**	**6.4**	**17.7**
(of which bonuses)	-		-	
SUBSIDIARIES IN SWEDEN	**13.1**	**186.1**	**8.5**	**183.2**
SUBSIDIARIES. OTHERS				
Argentina	0.9	18.5	2.1	22.4
Belgium	-	2.9	-	4.4
Brazil	-	0.9	-	0.7
Chile	-	0.9	-	1.0
Denmark	3.0	16.8	2.8	35.9
Estonia	-	1.8	-	1.1
Finland	2.2	45.4	4.7	52.8
France	2.6	61.3	7.1	64.7
United Arab Emirates	0.6	2.1	0.6	2.8
India	1.1	0.1	1.0	0.1
Italy	8.5	76.5	10.2	80.0
China and Hong Kong	3.9	68.1	0.8	50.7
Latvia	0.9	10.0	1.7	24.8
Lithuania	1.0	31.9	0.6	20.7
Malaysia	0.6	1.8	0.5	1.3
The Netherlands	5.0	43.3	1.4	43.4
Norway	6.1	147.5	7.4	135.9
Poland	0.7	4.1	0.7	4.5
Portugal	-	-	-	2.2
Russia	2.2	17.5	2.3	17.6
Spain	1.1	4.1	1.1	2.7
United Kingdom	5.2	141.5	3.2	137.7
Czech Republic	1.3	50.2	2.4	45.8
Germany	9.1	117.4	10.6	116.9
Hungary	-	0.8	-	0.5
Ukraine	-	-	-	-
USA	1.5	5.4	1.4	5.4
SUBSIDIARIES TOTAL	**70.6**	**1,056.9**	**71.1**	**1,059.2**
(of which bonuses)	*12.1*		*6.2*	
GROUP TOTAL	**82.1**	**1,077.7**	**77.5**	**1,076.9**
(of which bonuses)	*12.1*		*6.2*	

REMUNERATION TO SENIOR EXECUTIVES

The Board's fees

In accordance with the resolution at the 2019 AGM, the fee for elected Board members amounts to a total of SEK 1.35 million, to be divided with SEK 300 thousand to the Chairman of the Board and SEK 150 thousand to each of the other seven Board members. In addition, selected Board members received a fee for their work in the Remuneration Committee and the Audit Committee totalling SEK 100 thousand per committee. Board member Jan Frykhammar has carried out consultancy assignments for the company for SEK 130 thousand in 2019. 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. According to the contract, the pension premium for the senior executives amounts to 30 per cent of the pension-qualifying salary.

Remuneration is reviewed annually by the Board's Remuneration Committee. The Remuneration Committee consists of Fredrik Rapp, Anders Moberg and 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 2019	Basic salary	Variable salary 1)	Other remuneration 2)	Total salary and fees 3)	Pension costs	Total incl. pension
CEO	11.5	1.4	0.3	13.2	1.6	14.8
Other senior executives in Group management (3 executives) 4)	7.8	0.9	0.3	9.0	2.1	11.1
TOTAL	**19.3**	**2.3**	**0.6**	**22.2**	**3.7**	**25.9**
2018						
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**

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	2019 Of which women	2019 Of which men	2018 Of which women	2018 Of which men
Board members	10%	90%	11%	89%
Senior executives	17%	83%	18%	82%
Parent Company				
Board members	25%	75%	29%	71%
Senior executives	0%	100%	0%	100%

Personnel expenses distributed per function

The Group	2019	2018
Cost of goods sold	-777	-751
Selling expenses	-611	-594
Administrating expenses	-161	-158
	-1,549	**-1,503**
Parent Company		
Cost of goods sold	-9	-7
Selling expenses	-35	-15
Administrating expenses	-27	-17
	-71	**-39**

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	
	2019	2019	2018	2018	2019	2018
	Fees to EY	Fee to other auditors	Fees to EY	Fee to other auditors	Fees to EY	Fees to EY
Audit assignments	5	2	5	3	1	1
Audit activities other than audits	1	0	1	0	0	0
Tax consultancy	2	1	2	2	0	0
Other services	0	1	0	1	0	0
	8	**4**	**8**	**6**	**1**	**1**

NOTE 10. DEPRECIATION AND AMORTISATION

Depreciation divided per function

The Group	2019	2018
Cost of goods sold	-174	-110
Selling expenses	-82	-23
Administrating expenses	-19	-9
	-275	**-142**
Parent Company		
Administrating expenses	-2	-1

Depreciation divided per asset type

The Group	2019	2018
Balanced development expenditure	-19	-15
Patents and other intellectual property rights	-10	-11
Buildings	-131	-20
Plant and machinery	-62	-62
Equipment, tools and installations	-53	-34
	-275	**-142**
Whereof leasing	-135	-5
Parent Company		
Equipment	-2	-1

NOTE 11. COSTS DIVIDED BY COST TYPE

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

The Group	2019	2018
Costs for direct materials	-2,636	-2,722
Personnel costs	-1,549	-1,503
Depreciation and amortisation	-275	-142
Other expenses	-1,450	-1,490
	-5,910	**-5,857**

Parent Company		
Personnel costs	-71	-39
Depreciation and amortisation	-2	-1
Other expenses	-39	-34
	-112	**-74**

NOTE 12. OTHER OPERATING INCOME AND EXPENSES

Other operating income

The Group	2019	2018
Operation's exchange rate differences	16	21
Profit due to repayment of purchase price and revaluation of additional purchase sum, Group companies	42	34
Profit from divestment of subsidiaries	2	-
Capital gain on sale of non-current assets	44	17
Other [1]	17	19
	121	**91**

Parent Company		
Operation's exchange rate differences	8	18
	8	**18**

Other operating expenses

The Group	2019	2018
Operation's exchange rate differences	-15	-32
Capital loss on sale of non-current assets	-2	-1
Other	-1	-2
	-18	**-35**

Parent Company		
Operation's exchange rate differences	-6	-17
	-6	**-17**

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

NOTE 13. RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2019	2018
Income from participations in Group companies		
Dividends received	221	370
	221	**370**
Expenses from participations in Group companies		
Impairment of long-term claims in Group companies [1]	-3	-4
Impairment of shares in subsidiaries [2]	-72	-95
	-75	**-99**

[1] Impairment of claims for loss coverage in Group companies in 2019 refers to Radlok S.à.r.l in Luxembourg, SEK -3 million (-4).

[2] Of impairment of shares in subsidiaries in 2019, SEK 67 million refers to impairment as a result of shareholder contributions and SEK 5 million refers to impairment as a result of restructuring. 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. For more information, see Note 20.

NOTE 14. FINANCIAL INCOME AND EXPENSES

Financial income

The Group	2019	2018
Interest income	6	3
Exchange rate differences	1	3
	7	**6**

Parent Company		
Interest income, Group companies	39	27
	39	**27**

Financial expenses

The Group	2019	2018
Interest expenses from interest rate swaps	-8	-10
Default interest, equity instrument, convertible liability	-3	-3
Other interest expenses	-72	-56
Other financial expenses	-7	-10
	-90	**-79**

Parent Company		
Interest expenses, Group companies	0	0
Interest expenses from interest rate swaps	-8	-10
Default interest, equity instrument, convertible liability	-3	-3
Other interest expenses	-49	-49
Exchange rate differences	-39	-76
Other financial expenses	-4	-7
	-103	**-145**

NOTE 15. YEAR-END APPROPRIATIONS

Parent Company	2019	2018
Received Group contributions	64	74
Group contributions paid	-71	-32
	-7	**42**

NOTE 16. TAX

The Group	2019	2018
Current tax expenses		
Tax expenses for the period	-64	-78
Adjustment of tax attributable to previous years	0	1
	-64	**-77**
Deferred tax expenses (-)/tax income (+)		
Deferred tax attributable to temporary differences	4	22
Deferred tax attributable to previous years	2	4
Deferred tax attributable to losses carried forward	4	-1
Deferred tax as a result of changes in tax rates	0	-8
	10	**17**
TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT	**-54**	**-60**

Parent Company		
Current tax for the period	0	0
Deferred tax attributable to losses carried forward	-1	18
TOTAL RECOGNISED TAX EXPENSE IN THE INCOME STATEMENT	**-1**	**18**

Difference between Swedish income tax rate and the effective tax rate

The Group	2019	2019	2018	2018
Reported income before tax	**174**		**157**	
Tax at Swedish income tax rate	-37	-21.4%	-34	-22.0%
Tax effect of				
Adjustment of previous year's tax	2	1.0%	5	3.2%
Other tax rates for foreign subsidiaries	-2	-1.1%	3	2.0%
Deductible temporary differences	-1	-0.5%	-1	-0.8%
Losses carried forward	-16	-8.9%	-23	-14.6%
Altered tax rates	0	0.0%	-8	-5.1%
Non-taxable income and non-deductible expenses	-1	-0.5%	-2	-1.0%
RECOGNISED TAX EXPENSE	**-55**	**-31.4%**	**-60**	**-38.3%**

Tax items recognised in other comprehensive income	2019	2018
Deferred tax on cash flow hedges	3	-3
Deferred tax on hedging of net investments	0	-1
Deferred tax on pension obligations	1	0
	4	**-4**

Changes in deferred tax The Group	2019	2018
At the start of the year	48	33
Items recognised in other comprehensive income	1	0
Translation differences	0	-2
Recognised in profit for the year	10	17
AT THE CLOSE OF THE YEAR	**59**	**48**

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

The Group	Receivables 2019	Receivables 2018	Liabilities 2019	Liabilities 2018
Non-current assets	9	9	34	39
Inventory	7	9	1	1
Current receivables	1	1	-	-
Provisions for pensions and similar obligations	5	4	0	0
Losses carried forward[1)]	80	75	-	-
Untaxed reserves	-	-	4	7
Other	5	4	9	7
	107	**102**	**48**	**54**

[1)] Of the deferred tax assets for losses carried forward recognised in the balance sheet, there is a deficit deduction of SEK 60 million, the utilisation of which is subject to time restrictions. Of this, SEK 2 million matures in 2021, SEK 8 million matures in 2022, SEK 4 million matures in 2023, SEK 5 million matures in 2024-2025 and the remaining SEK 41 million matures in 2026-2029. The Group has losses carried forward equivalent to nominal SEK 253 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	2019 Receivables	2018 Receivables
Losses carried forward	31	32
	31	**32**

NOTE 17. EARNINGS PER SHARE

The Group	2019	2018
Earnings per share before dilution		
Net Profit for the period that is attributable to the Parent Company's shareholders, SEK millions	119.8	89.6
Average number of outstanding ordinary shares	102,383,430	102,383,430
EARNINGS PER SHARE BEFORE DILUTION, SEK PER SHARE	**1.17**	**0.88**
Earnings per share after dilution		
Net Profit for the period that is attributable to the Parent Company's shareholders, SEK millions	119.8	89.6
Net interest expenses after tax on convertible debentures, SEK millions	2.8	3.7
Adjusted profit, SEK millions	**122.6**	**93.3**
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	1,950,000
Number of shares after dilution	**104,333,430**	**104,333,430**
EARNINGS PER SHARE AFTER DILUTION, SEK PER SHARE	**1.17**	**0.88**
ACTUAL NUMBER OF SHARES AT YEAR-END		
before dilution, shares	102,383,430	102,383,430
after dilution, shares	104,333,430	104,333,430

The Group has one outstanding convertible program. During June 2016 a subscription for convertible shares were conducted for employees. 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	227	42,660	102,383,430	0.417

NOTE 18. INTANGIBLE ASSETS

2019 The Group	Balanced development expenses	Patents and other intellectual property rights	Goodwill	TOTAL
Accumulated acquisition values				
At the start of the year	186	85	1,634	1,905
Additions	22	2	-	24
Sales and disposals	-2	0	-	-2
Translation differences for the year	-	1	35	36
	206	**88**	**1,669**	**1,963**
Accumulated depreciation according to plan				
At the start of the year	-64	-34	-	-98
Sales and disposals	2	0	-	2
Depreciation according to plan for the year	-19	-10	-	-29
Translation differences for the year	-	-1	-	-1
	-81	**-45**	**-**	**-126**
RECOGNISED VALUE AT THE CLOSE OF THE YEAR	**125**	**43**	**1,669**	**1,837**

2018 The Group				
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**

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% (2%) 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 2019 a figure of 8.5% is used for 2021 and 9.0% för 2022 and onwards. Average interest rates have been assumed at the same levels as the outcome for 2019. The forecast cash flows have been converted to present value using a discount rate of 9.46% (9.50%), 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 but the risk premium has been increased slightly during 2019, which together with lower finance costs produces a slightly lower outcome from the discount rate before tax compared to 2018.

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

2019 The Group	Buildings	Machinery	Equipment	Construction in progress	Total
Accumulated acquisition values excl. leasing					
At the start of the year	663	760	386	118	1,927
Divestments, subsidiaries	-3	-	-	-	-3
Additions	9	54	32	45	140
Sales and disposals	-127	-117	-45	0	-289
Reclassifications	125	8	4	-137	0
Translation differences for the year	18	20	9	6	53
	685	**725**	**386**	**32**	**1,828**
Accumulated depreciation according to plan excl. leasing					
At the start of the year	-203	-519	-281	-	-1,003
Sales and disposals	19	103	38	-	160
Depreciation according to plan for the year	-19	-58	-33	-	-110
Translation differences for the year	-7	-10	-9	-	-26
	-210	**-484**	**-285**	**-**	**-979**
TOTAL	**475**	**241**	**101**	**32**	**849**
Right of use assets [1]	718	9	30	-	757
RECOGNISED VALUE AT THE CLOSE OF THE YEAR	**1,193**	**250**	**131**	**32**	**1,606**

[1] *For more information regarding leasing right of use assets, see Note 22.*

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**
Whereof financial leasing according to IAS 17	**-**	**15**	**-**	**-**	**15**
RECOGNISED VALUE EXCL. LEASING	**460**	**241**	**105**	**118**	**924**

Parent Company	2019 Equipment	2018 Equipment
Accumulated acquisition values		
At the start of the year	15	14
Additions	0	1
	15	**15**
Accumulated depreciation according to plan		
At the start of the year	-6	-5
Depreciation according to plan for the year	-2	-1
	-8	**-6**
RECOGNISED VALUE AT THE CLOSE OF THE YEAR	**7**	**9**

NOTE 20. PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2019	2018
Opening recognised value	2,096	2,170
Business combinations[1]	-	1
Divestments[1]	-1	-
Shareholder contribution to subsidiaries [2]	72	35
Impairment and revaluations for the year [3]	-72	-110
CLOSING RECOGNISED VALUE	**2,095**	**2,096**

[1] *During 2019 shares in ITAB Shop Products France SaS and AO ITAB Shop Concept Russia have been sold to subsidiaries in the group. During 2018 Sintek Industrial Property AB was aquired from subsidiaires in the group.*

[2] *Shareholders contributions in 2019 have been made to ITAB Shop Concept Nässjö AB with SEK 20 million, La Fortezza SpA with SEK 47 million , Nordic Light Group AB with SEK 4 million and ITAB Guidance AB with SEK 1 million. Shareholders contribution in 2018 have been made to ITAB Shop Concept Hungary LCC with SEK 2 million and ITAB shop Concept A/S with SEK 5 million.*

[3] *Impairment of shares in subsidiaries in 2019 refer to ITAB Shop Concept Nässjö AB SEK -20 million, La Fortezza SpA SEK -47 million and ITAB Shop Concept A/S SEK -5 million. During 2018, the participations in La Fortezza have been revalued since the acquisition by SEK -15 million. 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.*

PARTICIPATIONS ARE HELD IN THE FOLLOWING GROUP COMPANIES.

	Corp. reg. no.	Registered office	Country	Number of shares	Holding	2019 Book value	2018 Book value
ITAB Shop Concept Lithuania AB	233393310	Kaunas	Lithuania	635,350	100%	20	20
ITAB Eesti OÜ	10994786	Tallin	Estonia	400	100%	0	0
ITAB Germany Gmbh	HRB 61998	Köln	Germany	2	100%	17	17
ITAB Harr Gmbh	HRB 29025	Malschwitz	Germany	-	100%	-	-
ITAB Prolight Germany GmbH	HRB 80620	Köln	Germany	1	100%	-	-
D&L Lichtplanung GmbH	HRB 11839	Menden	Germany	5	100%	-	-
D.Lindner Lichttechnische Grosshandlung GmbH	HRB 5072	Menden	Germany	1	100%	-	-
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%	11	26
ITAB Pharmacy Concept AB	556603-8245	Stockholm	Sweden	40,000	100%	7	23
Sintek Industrial Property AB	556031-3362	Jönköping	Sweden	9,070	100%	1	1
Radlok S.à r.l	B 150987	Luxemburg	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%	-	-
Reklamepartner Graphics AS	979895909	Vinterbro	Norway	100	100%	-	-
KB Design AS	913275438	Oslo	Norway	34	100%	-	-
ITAB Lindco AS	929240227	Oslo	Norway	1,000	100%	-	-
ITAB Shop Concept Belgium N.V	0413.792.003	Antwerpen	Belgium	279,295	100%	14	14
ITAB Shop Concept CZ a.s	255 68 663	Blansko	Czech Republic	2,210	100%	277	277
ITAB Shop Concept A/S	19353443	Herning	Denmark	11,000	100%	0	5
ITAB Kiinteistö Oy	0719064-4	Järvenpää	Finland	77,000	100%	12	12
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%	28	11
ITAB Shop Concept Polska Sp zoo	338168	Warszawa	Poland	1,250	100%	2	2
ITAB Shop Concept Hungary LLC	24685113-2-43	Budapest	Hungary	1	100%	0	0
ITAB Ukraine LLC [4]	37102073	Kiev	Ukraine	1	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%	-	-
Nordic Light Group AB	556306-5373	Skellefteå	Sweden	1,000	100%	380	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	Hongkong	Hongkong	20,000	100%	-	-
Nordic Light (Suzhou) Investment (HK) Co Ltd.	875186	Hongkong	Hongkong	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%	-	-
MB Shop Design AB	556549-1643	Hillerstorp	Sweden	1,981	100%	106	106
Projektfinans i Småland AB [4]	556758-6630	Hillerstorp	Sweden	1,000	0%	-	-
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%	43	28
ITAB Finland Oy	1882702-2	Jyväskylä	Finland	28,000	100%	-	-
ITAB Pikval AB	556046-4389	Jönköping	Sweden	1,000	100%	1	1
La Fortezza SpA	FI - 462981	Scarperia	Italy	20,900,000	100%	786	786
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%	-	-
ITAB Shop Products France S.a.S [4]	817 964 984	Jouy e moutier	France	4,500	0%	-	0
La Fortezza Asia Sdn Bhd	396959-A	Kuala lumpur	Malaysia	600,000	100%	-	-
La Fortezza Equipamento Iberica S.l.	B85907236	Barcelona	Spain	19,000	100%	-	-
ITAB Rus Jsc	1057747369723	Stupino	Russia	2,780,000	100%	-	-
AO ITAB Shop Concept Russia [4]	1057811914808	St petersburg	Russia	100	100%	-	0
La Fortezza Middle East Dmcc	JLT5135	Dubai	UAE	1	100%	-	-
La Fortezza Portugal Unipessoal, Lda	513102930	Lissabon	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%	100	49
SIA ITAB Production Latvia [4]	40103296365	Riga	Latvia	2,845	0%	-	51
						2,095	**2,096**

In addition to the above companies, the subsidiaries owned shares in dormant companies. In total, the Group comprised 79 legal companies at the end of 2019.

[4] During 2019 Projektfinans i Småland AB and the dormant company ITAB Ukraine LLC have been divested. ITAB Shop Products France SaS and AO ITAB Shop Concept Russia have been sold to subsidiaries in the group. SIA ITAB Production Latvia has been merged with SIA ITAB Shop Concept Latvia and ITAB Shop Products France SaS has been merged in to La Fortezza Alser SaS.

PARTICIPATIONS IN ASSOCIATED COMPANIES:	Corp. reg. no.	Registered office	Country	Number of shares	PERCENTAGE OF CAPITAL	PERCENTAGE OF VOTES
Ombori Apps AB	556841-1333	Stockholm	Sweden	22,059,400	30.00%	35.47%

	2019
Recognised value at the start of the year	-
Acquisitions during the year	15
Share of profit within period	0
RECOGNISED VALUE AT THE CLOSE OF THE YEAR	**15**

ITABs share of Ombori Apps AB:s assets, total equity, net sale and profit before tax at the time of acquisitions, Ombori Apps has a split financial year.

	2019
Assets	4
Total equity	5
Net sales	2
PROFIT BEFORE TAX	**0**

NOTE 21. FINANCIAL ASSETS AND LIABILITIES

Time analysis of financial assets	2019 Due	2019 Not due	2019 Total	2018 Due	2018 Not due	2018 Total
Accounts receivables, not written down						
less than 30 days old	60	741	801	56	823	879
31-60 days old	34		34	29	-	29
more than 60 days old	41		41	37	-	37
Accounts receivables written down						
more than 60 days old	23		23	22	-	22
Deduction for reserves	-23		-23	-22	-	-22
TOTAL ACCOUNTS RECEIVABLES	**135**	**741**	**876**	**122**	**823**	**945**
Other financial assets		97	97	-	151	151
BOOK VALUE, FINANCIAL ASSETS EXCL. CASH AND CASH EQUIVALENTS	**135**	**838**	**973**	**122**	**974**	**1,096**

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	The Group 2019	The Group 2018
Opening balance	22	24
Increase in provision via the income statement	11	6
Utilised reserve due to ascertained customer losses	-8	-6
Reverse provisions	-2	-2
CLOSING BALANCE	**23**	**22**

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

The Group	2019	2018
Maturity date		
within 1 year	1,709	1,568
between 1 and 3 years	1,573	1,514
between 3 and 5 years	318	124
after 5 years	138	75
	3,738	**3,281**

Parent Company	2019	2018
Maturity date		
within 1 year	792	733
between 1 and 3 years	1,210	1,418
between 3 and 5 years	105	124
after 5 years	-	65
	2,107	**2,340**

CHANGE IN LIABILITY ATTRIBUTABLE TO FINANCING OPERATIONS IN THE GROUP'S CASH FLOW	2018	Cash flow	Items that do not affect the cash flow: IFRS16	Aquisi-tions/di-vestments	Transla-tion differ-ence	Fair value	2019
Derivative receivables	-3					3	0
Non-current liabilities to credit institutions	1,469	-194					1,275
Current liabilities to credit institutions as well as overdraft facility	723	-170		-2	30		581
Convertible debenture loan	162					3	165
Leasing debt	9	-125	725	137	17		763
Derivative liabilities	15					12	27
TOTAL NET LIABILITY FROM FINANCING OPERATIONS	**2,375**	**-364**	**725**	**135**	**47**	**18**	**2,811**
Cash and cash equivalents							-302
INTEREST-BEARING NET DEBT [1)]							**2,509**

[1)] Some of the company's bank loans are restricted with covenants, stipulated in the loan contract. One of the restrictions mean that ITAB has committed to keeping the company's interest-bearing net debt in relation to EBITDA within certain stipulated levels. None of the 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 2019	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			8		8	8
Accounts receivable			876		876	876
Other receivables			68		68	68
Accrued income, financial claims			21		21	21
Cash and cash equivalents [2]			302		302	302
TOTAL FINANCIAL ASSETS			**1,275**		**1,275**	**1,275**
Financial liabilities						
Liabilities to credit institutions				2,298	2,298	2,298
Convertible debenture loan				165	165	166
Overdraft facilities				321	321	321
Derivative liability (level 2)	27				27	27
Conditional purchase sum (level 3)		2			2	2
Advance payments from customers				17	17	17
Accounts payable				627	627	627
Other liabilities				110	110	110
Accrued expenses, financial liability				42	42	42
TOTAL FINANCIAL LIABILITIES	**27**	**2**		**3,580**	**3,609**	**3,610**
2018						
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**

Parent Company 2019						
Financial assets						
Receivables, Group companies			945		945	945
Cash and cash equivalents [2]			0		0	0
TOTAL FINANCIAL ASSETS			**945**		**945**	**945**
Financial liabilities						
Liabilities to credit institutions				1,463	1,463	1,463
Convertible debenture loan				165	165	166
Overdraft facilities				285	285	285
Accounts payable				8	8	8
Liabilities to Group companies				83	83	83
Other liabilities				4	4	4
Accrued expenses, financial liability				6	6	6
TOTAL FINANCIAL LIABILITIES				**2,014**	**2,014**	**2,015**
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**

[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

NOT 22. LEASING

IFRS16 LEASING

IFRS 16 Leases replaced IAS17 as from 1 January 2019. 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. Instead of operational leasing costs ITAB present depreciations and interest expenses in the income statement of the Group. To find out more about the transition to IFRS 16, see Note 2, Chapter "newly introduced and amended standards and interpretations 2019" and the effect is presented in 5 years in summary.

Changes as an effect of the transition to IFRS16

	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**

Transition to IFRS16 - Effects on the opening balance

Assets	31/12/ 2018	IFRS16 EFFEKT	01/01/2019
Non-current assets	2,855	725	3,580
Current assets	2,509	-	2,509
Total assets	**5,364**	**725**	**6,089**
Equity and liabilities			
Equity referable to shareholders of the parent company	**1,598**	**-**	**1,598**
Holdings without influence	**128**	**-**	**128**
Long-term liabilities	1,766	625	2,391
Short-term liabilities	1,872	100	1,972
Total equity and liabilities	**5,364**	**725**	**6,089**

The average borrowing rate on outstanding lease liabilities was 2.08% at the time of transition. For more information see Note 3.

Leasing - right of use assets and liabilities as per the 31st of December 2019

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

	IFRS16 LEASING			IAS 17 FINANCIAL LEASING
	2019			2018
Right of use assets	BUILDINGS	EQUIPMENT	MACHINERY	MACHINERY
Start of the year	-	-	15	23
Additional IFRS16	696	29	-	-
Additions	121	20	0	-1
Disposals during the year	-3	0	-1	-1
Translation difference	16	1	-2	-2
Depreciations during the year	-112	-20	-3	-5
Recognised value at the close of the year	**718**	**30**	**9**	**15**
Lease liabilities	**725**	**29**	**9**	**9**

	IFRS16 LEASING		IAS 17 FINANCIAL LEASING	
	NOMINAL VALUE	CURRENT VALUE	NOMINAL VALUE	CURRENT VALUE
Lease liabilities	2019	2019	2018	2018
Current portion, maturity date within one year	126	123	3	3
Non-current portion, maturity date between one and three years	344	325	7	6
Non-current portion, maturity date between three and five years	211	201	0	0
Non-current portion, maturity date over five years	118	114	0	0
Recognised value at the close of the year	**799**	**763**	**10**	**9**

The Groups essential leasing contracts refers to rent of buildings mostly related to Sweden, United Kingdom, Italy and France. Machineries are placed in Sweden, Norway, Russia, Italy and Latvia. The majority of equipment are cars.

The total leasing costs amounted to SEK 178 million during 2019, of which depreciations were SEK 135 million, leasing costs related to low value and short maturity amounted to SEK 28 million and interests to SEK 15 million. There are no significant variable charges or restrictions.

OPERATING LEASES 2018

Leasing costs for assets held via operational leases, such as leased premises, machinery, vehicles and office equipment, were recognised in operating expenses and amounted to SEK 160 million in 2018, of which rental costs for properties amounted to SEK 126 million.

Agreed future payments for operational leases amounted to SEK 705 million, and were distributed as follows:

	2018
Maturity date within one year	144
Maturity date between one and five years	357
Maturity date more than five years	204
	705

NOTE 23. INVENTORY

The Group	2019	2018
Raw materials and supplies	376	424
Products in progress	92	111
Finished products and trading goods	453	481
Advance payments for goods	5	3
	926	**1,019**

The year's impairment of finished products and trading goods expensed to the year's income totalled SEK 26 million (32) for the Group.

NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

The Group	2019	2018
Prepaid rent and leasing fees	13	11
Prepaid insurance premiums	4	6
Other prepaid expenses	46	42
Accrued income from contracts with customers	21	45
Other accrued income	11	17
	95	**121**

Parent Company	2019	2018
Prepaid insurance premiums	1	1
Prepaid financing expenses	0	3
Other prepaid expenses	9	9
	10	**13**

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. During 2019 only dormant foreign companies of minor value have been disposed or deregistered. During 2018 no companies were sold.

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

Translation reserve related to the Parent Company's shareholders	2019	2018
Opening balance	17	2
Translation difference when translating foreign operations	46	11
Change in fair value of hedges of net investments	-2	5
Tax	0	-1
Closing balance	**61**	**17**

Translation reserve related to holdings without controlling influence	2019	2018
Opening balance	12	9
Translation differences for the year	3	3
Closing balance	**15**	**12**

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.

	2019	2018
Opening balance	-8	-17
Change in fair value of cash flow hedges	-18	-5
Change in fair value of cash flow hedges transferred to the year's profit or loss	6	17
Tax	3	-3
Closing balance	**-17**	**-8**
Total other reserves related to the Parent Company's shareholders	**44**	**9**
Total other reserves related to non controlling interest	**15**	**12**

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	2019	2018
The following unrestricted profit is at the disposal of the Annual General Meeting:		
Share premium reserve	310	310
Profit brought forward	586	398
Net profit for the year	126	188
TOTAL	**1,022**	**896**

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

Number of shares	102 383 430	102 383 430
To be paid as dividends to shareholders in total	-	-
To be carried forward to a new account	1,022	896
TOTAL	**1,022**	**896**

NOTE 27. OVERDRAFT FACILITY

The Group	2019	2018
Granted overdraft facility	926	923
Utilised overdraft facility	321	358
Unutilised overdraft facility	**605**	**565**
Parent Company		
Granted overdraft facility	849	903
Utilised overdraft facility	285	380
Unutilised overdraft facility	**564**	**523**

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 430 million (432) 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 266 million (307), i.e. the Parent Company has a claim against subsidiaries totalling SEK 696 million (739).

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 repaid during 2018 and the second loan was still outstanding 31 December 2019.

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	2019	2018
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	-4	6
Expected return on management assets	-1	0
RECOGNISED PENSION COSTS, NET	**-4**	**7**
Recognised provisions per 31 December		
Pension commitments' present value	79	74
Management asset's fair value	-39	-36
RECOGNISED PROVISIONS PER 31 DECEMBER	**40**	**38**
The net amount is distributed between the following countries		
Norway	7	4
Sweden	2	2
Italy	18	18
France	8	8
Belgium	5	6
Other	0	0
OBLIGATIONS RECOGNISED IN THE BALANCE SHEET	**40**	**38**

	2019	2018
Change in recognised provision		
Opening net liability	38	32
Actuarial gains and losses	6	-1
Realignment	0	0
Pension costs, net	-4	7
RECOGNISED PROVISIONS PER 31 DECEMBER	**40**	**38**

The most important assumptions used for determining commitments for pensions (%)		
Discount factor	0.3-1.8%	1.6-2.6%
Future wage increases	1.0-2.2%	1.0-2.7%
Future pension increases	2.0-2.6%	2.5-2.6%
Expected yield	1.80%	2.60%

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 2019 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 (5).

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 2019, Alecta's surplus in the form of the collective solvency level was 148 per cent (142).

NOTE 30. OTHER PROVISIONS

The Group	2019	2018
Restructuring reserve [1)]	-	0
Guarantee fund	4	4
Environmental reserve	1	1
Other provisions	11	21
	16	**26**

[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 2019	Guarantee fund	Environmental reserve	Restructuring reserve [1)]	Other provisions [2)]	Total
Opening balance as per 1 Jan 2019	**4**	**1**	**0**	**21**	**26**
The year's provisions	0	-	-	-	0
Utilised provisions	0	0	0	-10	-10
Translation differences	0	0	0	0	0
Closing balance as per 31 Dec 2019	**4**	**1**	**-**	**11**	**16**
of which, current provisions	**-**	**1**	**-**	**7**	**8**
of which, non-current provisions	**4**	**-**	**-**	**4**	**8**

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**

NOTE 31. ACCRUED EXPENSES AND PREPAID INCOME

The Group	2019	2018
Payroll and vacation expenses	133	128
Accrued social security fees, including pension and payroll tax	65	59
Accrued expenses from contracts with customers	31	20
Accrued sales commissions	16	18
Accrued service-related expenses	6	6
Accrued interest expenses	6	4
Other accrued expenses	63	91
Prepaid income from contracts with customers	5	16
Other prepaid income	5	1
	330	**343**
Parent Company		
Payroll and vacation expenses	13	7
Accrued social security fees, including pension and payroll tax	7	2
Accrued interest expenses	6	4
Other accrued expenses	2	1
	28	**14**

NOTE 32. PLEDGED ASSETS

The Group	2019	2018
Pledges for own liabilities		
Property mortgages	48	47
Business mortgages	173	179
Shares in subsidiaries	1,566	1,490
TOTAL PLEDGED ASSETS	**1,787**	**1,716**
Parent Company		
Pledges for own liabilities		
Shares in subsidiaries	1,354	1,319

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

NOTE 33. CONTINGENT LIABILITIES

The Group	2019	2018
Guarantee undertakings	46	66
Parent Company		
Sureties for subsidiaries	855	933

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 2019 by the ITAB companies ITAB Shop Products AB in Jönköping, ITAB Guidance AB, 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

- ITAB has from the 1st of February 2020 expanded the group management team to 10 persons. The aim is to support the transformation of ITAB and its organisation, simplify and create common ways of working.

- The outbreak of COVID-19 (Coronavirus) has had impact on the Groups operations during the start of 2020. ITABs operations in China and several of the European production units have significantly reduced production as a result of a reduced workforce and difficulties to support the production with incoming goods. This has led to a decreased delivery capacity and delays in deliveries to some of ITABs customers. Also the demands of the products of ITAB have been affected which resulted in announcements of redundancies and reductions of staff members and temporary workers . It is difficult to predict the full financial effects of COVID-19 for ITAB but they will have a significant impact to the Group in 2020.

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 24 March 2020. 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 2020.

Jönköping, 24 March 2020

Anders Moberg
Chairman

Anna Benjamin
Board member

Per Borgklint
Board member

Jan Frykhammar
Board member

Petter Fägersten
Board member

Sune Lantz
Board member

Fredrik Rapp
Board member

Lottie Svedenstedt
Board member

Andréas Elgaard
CEO

Our audit was submitted on 26 March 2020

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 2019. 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 2019 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 2019 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.

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

As of 31 December 2019, the reported value for goodwill amounts to SEK 1,669 millionin the Group's balance sheet which corresponds to 28,3% of total assets. Participations in Group companies are reported in the Parent Company's balance sheet at SEK 2,095 million, which corresponds to 67.4 % 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

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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 2019 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 8 May 2019. ITAB Shop Concept AB (publ) has been a public-interest entity since 28 May 2004.

Jönköping, 26 March 2020
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 2019, the number of shareholders in ITAB amounted to 4,369 (4,351). Institutional ownership made up 5.12 per cent of the votes and 15.10 per cent of the capital. The ten largest shareholders accounted for 92.84 per cent of the votes and 78.90 per cent of the capital. At present there are two shareholders who each own and control more than 10 per cent of the votes for all the shares in the company. Petter Fägersten controls 17.24 per cent of the capital and 52.61 per cent of the votes. Pomona-gruppen holds 29.84 per cent of the capital and 29.44 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 2019

ITAB's 2019 Annual General Meeting was held on Wednesday 8 May.

Attending the Meeting were 73 shareholders representing 91.29 per cent of the votes and 74.32 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.

- Anna Benjamin, Per Borgklint, Petter Fägersten, Sune Lantz, Anders Moberg, Fredrik Rapp and Lottie Svedenstedt were re-elected as Board members and newly elected Jan Frykhammar.
- Anders Moberg was elected as Chairman.
- Anders Rudgård (chariman), Fredrik Rapp and Ulf Hedlundh 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 2020

ITAB's 2020 Annual General Meeting will be held on Friday 8 May at 3 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 2019 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 Ulf Hedlundh as members.

The Nomination Committee's task ahead of the 2020 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 eight ordinary members. Anders Moberg (Chairman), Anna Benjamin, Per Borgklint, Petter Fägersten, Sune Lantz, Fredrik Rapp, Lottie Svedenstedt and Jan Frykhammar. 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 ten Board meetings during 2019, of which one was an constituent meeting.

Essential subjects that have been discussed during 2019:

- Longterm goals
- Strategic direction
- Business plans, financial plans and forecasts
- Investments
- Longterm financing
- Policies and guidelines
- Risk management and internal control
- Interim reports and annual report
- Reports from the committees of the board
- Sustainability work
- External audit follow up

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.

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.

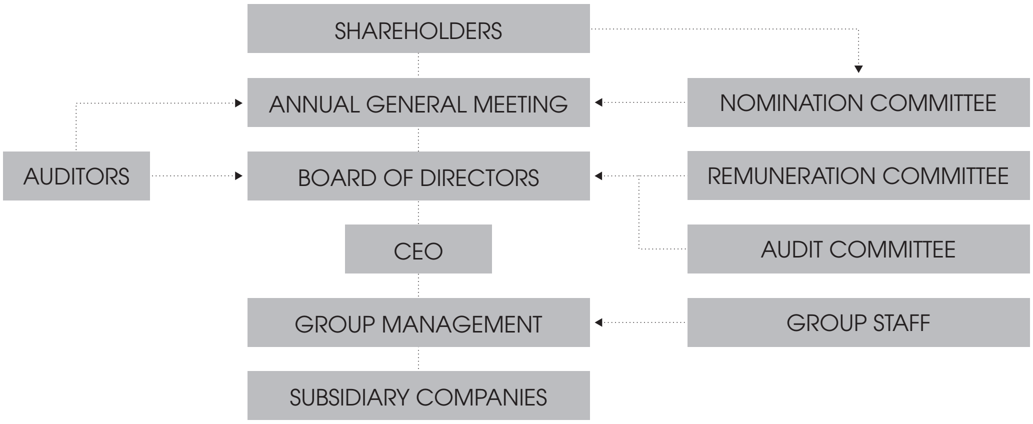
ITAB's Audit Committee comprises Anna Benjamin (Chair of the Committee), Per Borgklint and Sune Lantz.

During 2019, 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 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.

CORPORATE GOVERNANCE



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

The Remuneration Committee has held two minuted meeting with all members present regarding remunerations in 2019.

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. Ulf Rostedt took up the position as CEO in February 2004, 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 remained in the position as CEO until the 31st of August. On the 1st of September, Andreás Elgaard took up the position as CEO and President of the group.

GROUP MANAGEMENT

The Group Management 2019 comprised of CEO Andréas Elgaard (from 1 September), former CEO Ulf Rostedt (until 31 August), 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 2019 Annual General Meeting and related to the term up to and including the 2020 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. XANO Industri, GARO, NEFAB, Gyllensvaans Möbler, EFG and One Partner Group.

DEVIATIONS FROM THE CODE

There are no deviations to report for 2019.

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 2019 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 2019

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	Chairman	Chairman	-	Yes	Yes	10 (10)	2 (2)	-	340,000
Anna Benjamin	Board member	-	Chairman	Yes	No[1]	10 (10)	-	2 (2)	190,000
Per Borgklint	Board member	-	Board member	Yes	Yes	9 (10)	-	2 (2)	180,000
Jan Frykhammar[4]	Board member	-	-	Yes	Yes	6 (6)	-	-	150,000
Petter Fägersten	Board member	-	-	No[5]	No[1]	10 (10)	-	-	150,000
Sune Lantz	Board member	-	Board member	Yes	No[2]	10 (10)	-	2 (2)	180,000
Fredrik Rapp	Board member	Board member	-	Yes	No[1]	10 (10)	2 (2)	-	180,000
Lottie Svedenstedt	Board member	Board member	-	Yes	Yes	8 (10)	2 (2)	-	180,000
									1,550,000

[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 Andréas Elgaard has participated as deputy at four Board meetings and at one Remuneration Committee meeting and former CEO three Board meetings and at one Remuneration Committee meeting.
[4] Jan Frykhammar was elected to the Board at 8 May 2019.
[5] 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 2020

Anders Moberg
Chairman

Anna Benjamin
Board member

Per Borgklint
Board member

Jan Frykhammar
Board member

Petter Fägersten
Board member

Sune Lantz
Board member

Fredrik Rapp
Board member

Lottie Svedenstedt
Board member

Andréas Elgaard
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 2019 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 2020
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

JAN FRYKHAMMAR
(born 1965)
Board member since 2019.
Degrees: Bachelor of Science, Uppsala University
Principal work experience: CEO (interim), deputy CEO and CFO of Ericsson AB.
Commissions: Chairman of the board of Kvdbil AB, Aspia AB and Openet Ltd. Board member of Nordic Semiconductor AS, Telavox AB, Clavister AB etc.
Shareholding in ITAB Shop Concept AB: No holding in ITAB.

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 Board of MiL Institute, Tillväxt Helsingborg Foundation. Board member of Gullberg & Jansson AB, Helsingborgs IF, Mil Foundation and Swedavia AB.
Shareholding in ITAB Shop Concept AB: Class B: 60,000 shares

GROUP MANAGEMENT

ANDRÉAS ELGAARD
President & CEO
Employed since: 2019
Born: 1972
Degrees: Master of Science from Lunds Institute of Technology
Principal work experience: Senior positions within IKEA, Ballingslöv, Sperian, Icopal and Saint-Gobain Isover.
Shareholding in ITAB Shop Concept AB: No holdning

ULRIKA BERGMO SKÖLD
Chief Financial Officer
Employed since: 2020 (July)
Born: 1967
Shareholding in ITAB Shop Concept AB: No holdning

JESPER BLOMQUIST
Chief Operating Officer
Employed since: 2020 (April)
Born: 1968
Shareholding in ITAB Shop Concept AB: 300 Class B shares

PERNILLA LORENTZON
Senior Vice President
People & Culture
Employed since: 2015
Born: 1969
Shareholding in ITAB Shop Concept AB: Convertibles corresponding to 9,753 Class B shares

NICK HUGHES
Senior Vice President
Group Strategy & Transformation
Employed since: 2010
Born: 1969
Shareholding in ITAB Shop Concept AB: Convertibles corresponding to 9,753 Class B shares

ROY FRENCH
Senior Vice President
MBU North Europe
Employed since: 2010
Born: 1965
Shareholding in ITAB Shop Concept AB: Convertibles corresponding to 7,000 Class B shares

JOACHIM SCHUERHOLZ
Senior Vice President
MBU Central Europe
Employed since: 2008
Born: 1966
Shareholding in ITAB Shop Concept AB: 25,080 Class B shares

GLAUCO FRASCAROLI
Senior Vice President
MBU South Europe
Employed since: 2016
Born: 1958
Shareholding in ITAB Shop Concept AB: No holdning

MIKAEL GUSTAVSSON
Senior Vice President
SBU Guidance & Checkout
Employed since: 2003
Born: 1964
Shareholding in ITAB Shop Concept AB: Class B: 116,000 shares. Convertibles corresponding to 60,042 Class B shares

Senior Vice President
SBU Lighting
The position will be appointed during the year.

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 2019 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 2019 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**
Stefan Ståhl
Chief Marketing Officer
stefan.stahl@itab.com
Phone: +46 36-31 73 00

GRI-INDEX

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WELCOME TO THE 2020 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday 8 May 2020 at 3 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 30 April 2020, and must notify the company of their intention to participate in the Meeting not later than 4 pm on Monday 4 May 2020 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 30 April 2020. Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names before Thursday 30 April 2020 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 2019 financial year.

NOMINATION COMMITTEE

At the 2019 AGM, a Nomination Committee was appointed comprising Anders Rudgård as Chairman, Fredrik Rapp and Ulf Hedlundh. The Nomination Committee's task for the 2020 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.

Due to the spread of COVID-19 the date/time for the AGM might change. More information on itabgroup.com.

FINANCIAL STATEMENTS FOR 2020

Interim report, January - March	8 May
Annual General Meeting 2020	13 May
Interim report, January - June	10 July
Interim report, January - September	27 October
Year-end report 2020	9 February 2021
Annual Report 2020	March/April 2021
Annual General Meeting 2021	May 2021

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

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