FAGERHULT

INTERIM REPORT
JANUARY-JUNE 2019

Q2

The second quarter

The scale of the Group continues to expand with +44% order intake growth and +45% net sales growth in the quarter. The majority of the growth is driven by the acquisition of iGuzzini. Organic growth remains a challenge in all business areas except Northern Europe (NE). The 2,201 (1,531) MSEK overall order intake in Q2 was 43.7% ahead of last year and on a like for like basis was 7.9% adverse.

Similar to the first quarter, overall key measures of order intake, net sales, operating profit and operating cash flow were ahead of the comparative period from 2018 with mixed results across the business areas.

Excluding the effect of acquisitions, the business areas of NE, UK & Ireland (UK&I) and Western & Southern Europe (W&SE) delivered a combined 7,3% negative order intake in the quarter. Africa, Asia & the Pacific (APAC) delivered 5.4% growth.

In Q2 NE experienced a decline, but remains positive for the half year. W&SE delivers a Q2 order intake performance relative to 2018, similar to that which it did in Q1 and in the UK&I we see a relatively stronger performance in the quarter compared to 2018. Even with Brexit conditions in the UK market, all businesses report good project opportunities with the same hesitancy on placing orders.

Net sales for the quarter at 2,055 (1,422) MSEK show an overall 44.6% increase with a like for like performance of negative 4.3%. The quarterly operating profit at 174.8 (166.6) MSEK, including the 18,1 MSEK (see below) shows a 4.9% increase and delivers an operating margin of 8.5 (11.7)%.

In the quarter the operating profit has been charged with 18.1 MSEK relating to amortisation of iGuzzini intangible assets and one-off costs related to the performance improvement programme reported in Q1. As part of this programme there has been a 175 (5%) FTE headcount reduction across the Group. Fixed costs are now beginning to reduce with the full benefit expected in the second half year.

The operating cash flow in the quarter of 146.0 (-3.7) MSEK results from a 144 MSEK change in working capital improvement compared to Q2 2018.

The effects of IFRS 16 have been included in the results for Q2 2019. No historical adjustments have been made to the prior period results, refer to page 19 for details.

Q2

ORDER INTAKE, MSEK

2,201

Order intake was MSEK 2,200.5 (1,531.1), which is an overall increase of 43.7% adjusted to -7.9% for acquisitions of MSEK 765.5 and currency effects of MSEK 25.6

NET SALES, MSEK

2,055

Net sales were MSEK 2,055.4 (1,421.6), which is an overall increase of 44.6% adjusted to -4.3% for acquisitions of MSEK 659.3 and currency effects of MSEK 35.2

OPERATING PROFIT, MSEK

175

Operating profit was MSEK 174.8 (166.6) representing a 4.9% increase with an operating margin of 8.5 (11.7)%

NET PROFIT, MSEK

115

Earnings after tax were MSEK 114.5 (93.0), an increase of 23.1%

EARNINGS PER SHARE, SEK

0.74

Earnings per share were SEK 0.74 (1.02)

CASH FLOW FROM OPERATING ACTIVITIES, MSEK

146

Cash flow from operating activities was MSEK 146.0 (-3.7)

CEO comments

- Despite some regional challenges, I am pleased with the performance of the Group for the first half year as well as iGuzzini's results being as expected.
- To deliver the short to medium term performance improvement I communicated in Q1, cost reduction actions have taken place in some businesses with the benefit expected in H2.
- The relationships with iGuzzini colleagues continue to grow and spread across the Group with involvement in our forums for purchasing, manufacturing and R&D.
- My learning and activities have been rewarding in understanding alternatives for the future.
- During the second half year we will progress the strategic review and alignment to build an even stronger Fagerhult Group for the future.

January-June

During 2019 the market activity across the business areas has remained at a level consistent with that experienced during the later months of 2018. Organic order intake levels were reported as -11.9% in Q4 2018 and -13.1% in Q1 2019. As a result of the slightly improved -7.9% in Q2 2019, the half year result is -10.4%.

The UK market remains Brexit affected, although we see the year on year comparisons easing. Within Europe the results from region to region (North, South & West) are very mixed. The NE region has been the dominant region but with the recent acquisition adding significant activity in the W&SE region. As planned the Group is more balanced across the whole of Europe.

The Group's half year order intake at 3,789 (2,959) MSEK shows an overall 28.0% increase with a -10.4% decrease when adjusted for acquisition (1,071 MSEK) and currency (67 MSEK) effects.

The Group's half year net sales at 3,650 (2,692) MSEK shows an overall 35.6% increase with a -4.0% decrease when adjusted for acquisition (987 MSEK) and currency (78 MSEK) effects. The order backlog position has increased to 1,541 MSEK.

The operating profit of 332.9 (305.2) MSEK is enhanced by acquisitions and adversely affected by negative organic growth. The costs of the performance improvement programme have been taken in H1, so operating margins should improve in H2.

In the half year, operating profit is negatively impacted by a total of 29.6 MSEK, being a combination of one-off M&A transaction costs, amortisation of iGuzzini intangible assets and one-off costs related to the profit improvement programme.

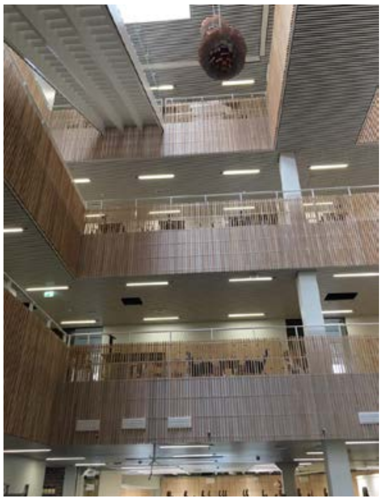
Currency conversion on consolidation have positively affected net sales and operating profits by 78.4 (49.3) MSEK and 5.0 (3.3) MSEK respectively.

The operating margin remains strong and growing in NE. As a result of the actions taken in UK&I, the margin should recover in the second half year. The W&SE business area margin is impacted by the slightly lower margin in the recent acquisition and also in this region we expect an improvement in the second half.

The second quarter saw a restructuring and write down of 5.5 MSEK in APAC, (which is included in the 29.6). This combined with lower activity levels and FX challenges results in a break even position.

Financial items were -51.0 (-20.0) MSEK with the 31.0 MSEK increase resulting from 13.6 MSEK increased long term debt interest charges and bridge-loan finance (now repaid as a result of the rights issue) combined with 12.0 MSEK in accounting changes for IFRS 16. The balance of the increase is currency movement.

The tax expense for the period was 74.4 (71.3) MSEK, which results in a 26.4% (25.0%) tax rate. The increase in tax rate is as a result of the higher rate of tax in Italy.



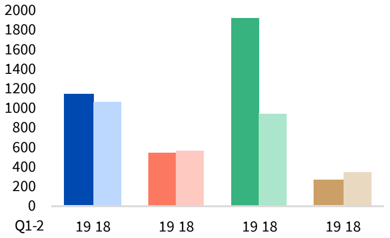
"We are entering an interesting period for the Group with strategic alignment being key."

Business areas

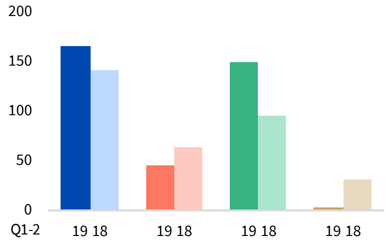
NET SALES AND OPERATING PROFIT BY BUSINESS AREA

	Net sales				Operating profit				Operating margin %			
	Q2		Q1-2		Q2		Q1-2		Q2		Q1-2	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Northern Europe	564.3	542.8	1,135.8	1,059.3	77.1	66.0	164.5	140.8	13.7	12.2	14.5	13.3
UK and Ireland	275.5	300.8	543.5	571.5	19.7	31.1	44.3	62.1	7.2	10.3	8.2	10.9
Western and Southern Europe	1,181.8	515.5	1,929.1	943.5	93.5	64.3	148.2	94.7	7.9	12.5	7.7	10.0
Africa, Asia and the Pacific	140.6	172.1	267.8	342.3	-2.2	14.1	1.9	30.0	-	8.2	0.7	8.8
Other	-	-	-	-	-14.9	-8.9	-29.3	-22.4	-	-	-	-
IFRS 16	-	-	-	-	1.6	-	3.3	-	-	-	-	-
Eliminations	-106.8	-109.6	-226.5	-224.3	-	-	-	-	-	-	-	-
Total	**2,055.4**	**1,421.6**	**3,649.7**	**2,692.3**	**174.8**	**166.6**	**332.9**	**305.2**	**8.5**	**11.7**	**9.1**	**11.3**
Financial, unallocated items	-	-	-	-	-19.4	-10.7	-51.0	-20.0	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**155.4**	**155.9**	**281.9**	**285.2**	**-**	**-**	**-**	**-**

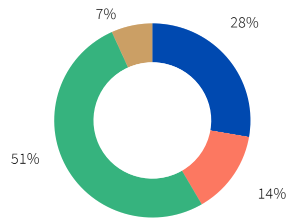
NET SALES PER BUSINESS AREA, MSEK



OPERATING PROFIT PER BUSINESS AREA, MSEK



SALES SHARE PER BUSINESS AREA, %



GEOGRAPHICAL BUSINESS AREAS: Northern Europe, UK and Ireland, Western and Southern Europe, Africa, Asia and the Pacific

Northern Europe

The business area comprises the Group's operating units and companies in the Nordics, the Baltics and Russia. The factory in China, which engages in manufacturing and purchasing, is also included.

Development, manufacturing and sales are conducted in Sweden, Finland and China, while operations in other markets engage only in sales.

Despite the much publicised challenges in the Retail sector, which have a negative effect on net sales, the order intake activity remains healthy and organically ahead of last year.

Net sales for the half year were 1,135.8 (1,059.3) MSEK showing strong growth of 7.2% which adjusts to 6.1% for currency effects. Net sales increased particularly well in Norway, Denmark, Poland and Russia. Net sales in Sweden grew overall, with good growth in Indoor, moderate growth in Outdoor and a decline in Retail.

The operating profit for the half year increased 16.8% to 164.5 (140.6) MSEK with the operating margin increasing from 13.3% to 14.5%.

Similar to Q1, the operating profit growth in the half year 2019 was on top of the 11.6% growth in H1 2018. At 359 MSEK in the order backlog, the same as last year, we look forward to a positive second half year.

Q2
NET SALES, MSEK
564.3

OPERATING PROFIT, MSEK
77.1

OPERATING MARGIN, %
13.7

"The region continues to progress well, we look forward to the second half year."

Northern Europe	Q2, 2019	Q2, 2018	Q1-2, 2019	Q1-2, 2018
Net sales	564.3	542.8	1,135.8	1,059.3
(of which, intercompany sales)	*(62.2)*	*(65.9)*	*(124.3)*	*(141.3)*
Operating profit	77.1	66.0	164.5	140.8
Operating margin, %	13.7	12.2	14.5	13.3
Sales growth, %	4.0	5.4	7.2	1.8
Sales growth, adjusted for exchange rate differences , %	3.1	3.5	6.1	0.7
Growth in operating profit, %	16.8	3.6	16.8	11.6

UK and Ireland

This business area comprises Group companies in the United Kingdom and Ireland. The most significant unit is Whitecroft Lighting and both Whitecroft and Designplan engage in the development, manufacture and sale of lighting systems, while the Fagerhult branded businesses in the UK and Ireland engage in sales.

Net sales in the half year were 543.5 (571.5) MSEK which represents a 4.9% decline adjusting to 8.9% for the weaker SEK.

The situation in the UK remains unchanged from the last quarter with optimism taken from the good level of enquiries and quotations reported by at least three of the businesses, but the conversion to order intake remains the difficulty during these uncertain times. There are early signs of an improved performance from Whitecroft in the installer sales channel.

During the second half of 2018 and the second quarter in 2019, the overall cost base was reduced. This is now beginning to have a positive effect, but with the lower activity level the profitability level remains overall adverse to last year.

The ongoing Brexit uncertainty situation will not, in the short term encourage a return of confidence, but given the new political leadership situation we may see to clarity of the future as we progress through the third quarter. Planning measures are resumed.

The operating profit for the half year was 44.3 (62.1) MSEK and the operating margin was 8.2 (10.9)%.

UK and Ireland	Q2, 2019	Q2, 2018	Q1-2, 2019	Q1-2, 2018
Net sales	275.5	300.8	543.5	571.5
(of which, intercompany sales)	*(12.0)*	*(16.4)*	*(36.7)*	*(25.8)*
Operating profit	19.7	31.1	44.3	62.1
Operating margin, %	7.2	10.3	8.2	10.9
Sales growth, %	-8.4	-1.1	-4.9	-8.9
Sales growth, adjusted for exchange rate differences , %	-11.1	-5.6	-8.9	-12.0
Growth in operating profit, %	-36.7	-30.0	-28.7	-34.1

Q2
NET SALES, MSEK
275.5

OPERATING PROFIT, MSEK
19.7

OPERATING MARGIN, %
7.2

"Brexit planning measures are resumed, this time for a hard Brexit."

Western and Southern Europe

This business area comprises our operations in Germany, the Netherlands, France, Belgium, Spain and Italy. The largest operation is iGuzzini, based in Italy but also with factories in China and North America.

Operations also exist in Germany with WE-EF, LTS and LED Linear and the Netherlands with Veko and these units also engage in the development, manufacture and sale of lighting systems. The businesses of iGuzzini, LED Linear and WE-EF have operations across the globe but for governance reasons are reported within this business area.

The Fagerhult branded business in the Netherlands, France, Spain and Belgium engage in sales. The results of the 20th April 2018 acquired Veko Lightsystems International B.V. business based in Schagen, the Netherlands, are consolidated in the business area from May 2018 and iGuzzini illuminazione S.p.A. which was acquired on 7th March 2019 has been consolidated from March 2019.

Net sales for the half year of 1,929.1 (943.5) MSEK and the business area delivered an operating profit for the period of 148.2 (94.7) MSEK with an operating margin of 7.7 (10.0)%.

In the half year 20.0 MSEK M&A transactions costs and amortisation of intangible assets relating to the iGuzzini acquisition as well as one-off costs relating to the improvement programme were taken to operating profit.

The business area is the largest business area for the Group, the order intake annualises 4.7 BSEK and the opportunity to develop the operating margin is high.

Western and Southern Europe	Q2, 2019	Q2, 2018	Q1-2, 2019	Q1-2, 2018
Net sales	1,181.8	515.5	1,929.1	943.5
(of which, intercompany sales)	*(21.9)*	*(15.3)*	*(44.9)*	*(29.2)*
Operating profit	93.5	64.3	148.2	94.7
Operating margin, %	7.9	12.5	7.7	10.0
Sales growth, %	129.3	21.4	104.5	23.7
Sales growth, adjusted for exchange rate differences , %	120.4	15.8	95.8	19.0
Growth in operating profit, %	45.4	49.2	56.5	8.7

Q2
NET SALES, MSEK
1,181.8
OPERATING PROFIT, MSEK
93.5
OPERATING MARGIN, %
7.9

Africa, Asia and the Pacific

The business area comprises our operations in South Africa, Turkey, the United Arab Emirates, Australia and New Zealand. Development, manufacture and sale of lighting systems and controls are conducted in South Africa, Australia and Turkey, while the operations in the United Arab Emirates and New Zealand engage in sales.

Lighting Innovations, South Africa, re-focuses on the domestic market as well as servicing only neighbouring export partners. The cost base is being reduced and towards the end of the second half year we expect to see the improvement in the operating result.

Our business in Turkey continues to perform well in local currency. The plan to improve performance in the UAE based business has been completed and we look forward to an improved remaining part of the year. The economy in Australia shows some signs of weakening. From ORT in Melbourne, the improved SN3 connected solution is making good progress in many markets in our luminaire businesses.

Net sales for the half year were 267.8 (342.3) MSEK, and show a decline of 21.8% overall, reducing to 19.2% after adjusting for currency effects. The operating profit was 1.9 (30.0) MSEK and the operating margin was 0.7 (8.8)%.

In the second quarter a 5.5 MSEK charge was taken in the UAE business to re-align the business to current operating levels. The cost restructuring in the region will support lifting the operating margin towards 5%, but increased sales are needed to grow the operating margin back towards 10%.

Q2
NET SALES, MSEK
140.6
OPERATING PROFIT, MSEK
-2.2
OPERATING MARGIN, %
-

"Organic Response sensor node 3 makes good progress"

Africa, Asia and the Pacific	Q2, 2019	Q2, 2018	Q1-2, 2019	Q1-2, 2018
Net sales	140.6	172.1	267.8	342.3
(of which, intercompany sales)	*(10.8)*	*(11.8)*	*(20.6)*	*(28.0)*
Operating profit	-2.2	14.1	1.9	30.0
Operating margin, %	-	8.2	0.7	8.8
Sales growth, %	-18.3	2.4	-21.8	4.3
Sales growth, adjusted for exchange rate differences , %	-15.2	7.0	-19.2	10.5
Growth in operating profit, %	-115.6	9.3	-93.7	32.2

Other

The business area mainly comprises central Group wide functions and the Parent Company, AB Fagerhult.

Business per product area

For the half year, adjusting for currency and acquisition effects, net sales in Indoor Lighting increased 1.5%, in Outdoor Lighting increased 0.3% but in Retail Lighting declined 22.7%. The approach to the Retail Lighting segment is the subject of a significant review within Group Management.

Indoor Lighting sales are well balanced across the business areas and demonstrates the Indoor Lighting solutions strength of all businesses, whereas in Retail and Outdoor Lighting there only exists any significant market penetration in W&SE and NE & W&SE respectively.

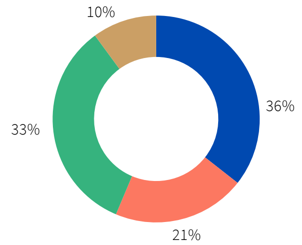
For the second quarter, the net sales mix was 59.3 (59.7)% Indoor, 14.8 (19.2)% Retail and 25.9 (21.1)% Outdoor.

NET SALES PER PRODUCT AREA

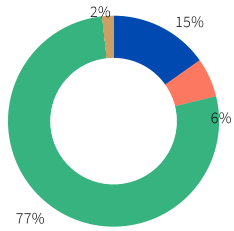
	Q2, 2019			Q2, 2018		
	Indoor	Retail	Outdoor	Indoor	Retail	Outdoor
Northern Europe	387.4	38.9	75.9	337.7	62.1	76.9
UK and Ireland	248.7	3.1	11.7	234.1	40.1	10.2
Western and Southern Europe	467.3	256.2	436.4	134.8	163.0	202.4
Africa, Asia and the Pacific	115.8	5.8	8.2	142.0	7.2	11.1
Total	**1,219.2**	**304.0**	**532.2**	**848.6**	**272.4**	**300.6**

	Q1-2, 2019			Q1-2, 2018		
	Indoor	Retail	Outdoor	Indoor	Retail	Outdoor
Northern Europe	768.9	91.5	151.1	655.6	121.9	140.5
UK and Ireland	448.3	36.1	22.4	423.9	102.6	19.2
Western and Southern Europe	725.3	464.0	694.9	196.3	343.6	374.4
Africa, Asia and the Pacific	217.5	10.6	19.1	281.2	13.1	20.0
Total	**2,160.0**	**602.2**	**887.5**	**1,557.0**	**581.2**	**554.1**

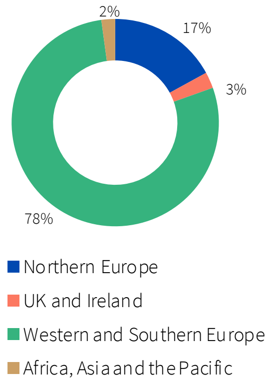
NET SALES INDOOR, Q1-2 2019



NET SALES RETAIL, Q1-2 2019



NET SALES OUTDOOR, Q1-2 2019



Financial position

The Group's equity/assets ratio at the end of the half year was 39 (28)%. Cash and bank balances at the end of the period were 989 (636) MSEK and consolidated equity was 5,208 (1,920) MSEK.

The cash flow for the half year of +155 (-359) MSEK includes the acquisition of iGuzzini 2,574, earn-out payments for earlier acquisitions of 99 MSEK, and payment of the dividend 252 (229) MSEK. During the Q2 the rights issue raised 2,213 MSEK.

At the end of the period the net debt increased to 4,331 (2,526) MSEK as a result of the above, but also due to the accounting changes under IFRS 16 by 930 (0) MSEK.

During the quarter the dividend of 2.0 (2.0) SEK per share, totalling 251.5 (229.0) MSEK adopted at the AGM was paid out.

Cash flow from operating activities was +228 (-91) MSEK with the 319 MSEK increase due to a 322 MSEK change in working capital improvement compared to a year ago.

Pledged assets and contingent liabilities amounted to 47.2 (47.2) MSEK and 1.5 (1.5) MSEK respectively .

Rights issue

The company's rights issue was fully subscribed. The subscription period ended on 22nd May 2019 and the final count showed that 49,861,704 shares, corresponding to approximately 99.1 percent of the offered shares, were subscribed for with subscription rights.

The remaining 436,334 shares that were not subscribed for with subscription rights have been allocated to those who have applied for subscription of shares without subscription rights in accordance with the principles described in the prospectus.

Interest in the rights issue has been high and as a result the rights issue was over-subscribed by 23.2 percent.

From the rights issue Fagerhult received proceeds amounting to approximately MSEK 2,213 before deduction of issue costs. As a result of the issue, Fagerhult's share capital has increased by MSEK 28.3 to MSEK 100.2. The total number of shares has increased by 50,298,038 to 177,192,843.

The new shares subscribed for with subscription rights were registered with the Swedish Companies Registration Office in late May 2019 and trading in these new shares began in the first week of June 2019. The new shares subscribed for without subscription rights started trading in mid-June 2019. For further information refer to the press releases on 28th May and 28th June 2019.

Investments

The Group's net investments in non-current assets was 142 (95) MSEK. The figure does not include investments in subsidiaries, which were 2,672 (307) MSEK.

Acquisition of iGuzzini

PROCESS AND INTEGRATON

On 15th October 2018, Fagerhult signed a Letter of Intent with the shareholders of iGuzzini illuminazione S.p.A ("iGuzzini") to acquire 100% of the shares of iGuzzini.

On 21st December 2018 Fagerhult signed a Share Purchase Agreement with the shareholders of iGuzzini to acquire 100% of the shares of iGuzzini.

On 7th January 2019, the board of Fagerhult called for an Extraordinary General Meeting of Shareholders (EGM) to be held on 7th February 2019.

At the EGM on the 7th February all resolutions were passed by the shareholders attending the meeting.

On 7th March 2019, the transaction was completed in Recanati, Italy and Fagerhult acquired 100% of the shares in iGuzzini. The board of directors of Fagerhult, also on 7th March 2019, decided on the Issue in Kind. The Issue in Kind forms part of the purchase price for the acquisition.

The purchase price for iGuzzini amounts to 365.2 MEUR, of which 284.5 MEUR is paid in cash and 80.7 MEUR in new Fagerhult shares.

On 26th April 2019, the board of directors of Fagerhult decided on the terms for the Rights Issue. The proceeds from the Rights Issue has been used to pay down the bridging loan finance drawn down at completion on 7th March. The Rights Issue carried a record date of 6th May and the subscription period closed on 22nd May.

With iGuzzini joining the Fagerhult Group, one of Europe's largest and leading professional lighting groups has been created and the combined companies will have an even stronger position in Europe and a strong platform from which to grow sales globally.

iGuzzini is a leading high-end international architectural lighting company with a strong brand and have created a successful international business with a global customer base. iGuzzini is very complementary to the Fagerhult Group both in terms of geography and product portfolio. Based in Recanati, Italy, iGuzzini is a respected lighting company with high brand awareness particularly amongst specifiers and lighting designers. Founded in 1959, the company designs, manufactures and markets professional lighting solutions for indoor and outdoor lighting areas.

For the financial year ending 31st December 2018, iGuzzini had net sales of approximately MEUR 240, an EBITDA margin of circa 14-15% and employed 1,470 employees. Fagerhult estimates significant procurement synergies as well as medium-to-longer term sales synergies and targets MEUR 8 annual EBITDA synergies by 2022.

For more information refer to the press releases on 15th October 2018, 21st December 2018, 7th January 2019, 7th February 2019, 7th & 29th March 2019, 26th April 2019 and 2nd, 13th & 28th May 2019 as well as on 28th June 2019.

PURCHASE PRICE ALLOCATION (PPA)

The tables below detail the financial effect of the acquisition for the total consideration as well as the assets and liabilities arising and the net change in consolidated cash and cash equivalents.

This is an initial draft PPA analysis and will be updated in the Q3 and Q4 interim reports for the year.

On 7th March 2019, Fagerhult signed an agreement to acquire 100% of the shares of iGuzzini and the purchase price for iGuzzini amounts to 365.2 MEUR, of which 284.5 MEUR is paid in cash and 80.7 MEUR in new Fagerhult shares.

iGuzzini has been consolidated in the Western and Southern Europe business area from the 1st March 2019.

THE CONSIDERATION CONSISTS OF THE FOLLOWING COMPONENTS

Cash paid	2,993.6
Fagerhult shares, issued through an issue in kind (11,244,805 shares)	826.5
Total consideration	**3,820.1**
Net assets acquired	3,011.2
Goodwill	**808.9**

THE ASSETS AND THE LIABILITES ARISING FROM THE ACQUISITION

	Fair value
Cash and cash equivalents	419.9
Property, plant and equipment	1,247.6
Financial assets	98.9
Intangible assets	2,142.0
Inventories	516.9
Receivables	621.1
Liabilities	-1,378.9
Deferred tax liabilities	-622.8
Net assets	**3,044.7**
Non-controlling interests	-33.5
Net assets acquired	**3,011.2**
Cash purchase consideration	2,993.6
Cash and cash equivalents in the acquired company	-419.9
Change in consolidated cash and cash equivalents on acquisition	**2,573.7**

Employees

The average number of employees during the period was 4,360 (3,333).

Parent company

AB Fagerhult's operations comprise Group Management, financing and business development activities. The profit before appropriations and tax was 17.1 (4.3) MSEK.

The number of employees during the period was 7 (7).

Accounting principles

The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual accounts Act. The information for the interim period on pages 1-19 is an integral part of this financial report.

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR.

Applied accounting principles are unchanged in comparison with those described in Fagerhult's annual report for the financial year 2018 except that AB Fagerhult from

January 1, 2019 applies IFRS 16 Leases. The implementation of the new standard has some effect on the financial reports.

The parent company, AB Fagerhult, has chosen not to apply IFRS 16 Leases but have instead from January 1, 2019 applied RFR 2 IFRS 16 Leases.

On Business area level, Fagerhult will not apply IFRS 16. It will only be applied on the Group level. The segment reporting for 2019 will thus be unchanged compared to 2018.

For information on the effects of the transition to IFRS 16, see page 19. Accounting principles according to IFRS 16 follows below.

LEASING

The group leases consist mainly of factories, offices and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Since this is the first report in accordance with IFRS 16, all right-of use assets have been valued at the value of the lease liability, with adjustment for prepaid lease payments attributable to the agreements as of January 1, 2019.

Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment that are based on an index

The lease payments are discounted using the group’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options:

Options to extend or terminate contracts are included in the asset and liability as it is reasonably certain that they will be exercised. These terms are used to maximise operational flexibility in terms of managing contracts.

Risks and uncertainties

The Group’s significant risks and uncertainties consist primarily of business risks, and financial risks associated with currencies and interest rates. Through the company’s international operations, the Fagerhult Group is subject to financial exposure arising from currency fluctuations as well as the regionalised uncertainty of political situations.

The most prominent risks, however, are currency risks arising from export sales and imports of raw materials and components. This exposure is reduced by hedging the flow of sensitive currencies, based on individual assessment. Currency risk also arises in the translation of foreign net assets and earnings. For more information about the company’s risks, refer to the 2018 Annual Report. In addition to the risks described in the company’s Annual Report, no other significant risks are considered to have arisen.

Outlook for 2019

During the last two years, acquisitive growth has led to a strong positive sales and earnings trend for the Group and for the last 9-12 months order intake development has shown an organic decline. During this period the Group's main markets have displayed mixed activity levels, some being in decline, some flat and some with slight growth.

The tail-wind of growth provided by the LED technology shift impacts no longer. Conventional technology luminaires have been replaced by LED ones where the share of net sales approaches 100% for the Group. The global installed base of LED luminaires remains low which is a significant opportunity for Fagerhult, especially with connected solutions.

As a result of the LED technology shift, the Group has benefitted from growth and margin development and has taken advantage of these positive trends to continue to invest for the future, particularly in product design and development and controls and connected solutions.

The Group's medium-to-long term strategy continues to include further acquisitions, both geographically and technology led acquisitions.

The Group has established and remains in a strong position in all of its main markets. The Group has a more balanced regional and product area operational footprint and the acquisition of iGuzzini, Veko, WE-EF and LED Linear in recent years creates significant opportunity to strengthen our position in many geographical and product areas.

For the future, management focus on a process of strategic alignment across the Group and brands to address the market and to continue to provide great services to customers.

The Group is in a strong position with good profitability and momentum and management believe in the ability to grow market shares and increase profitability by taking advantage of this position whilst executing the alignment process. The performance improvement programme initiated at the start of Q2 is expected to deliver benefit in the second half year.

Declaration

The Board of Directors and Chief Executive Officer warrant that the interim report gives a true and fair picture of the company's and Group's operations, financial position and results, and describes all significant risks and uncertainties faced by the Group

Habo, 22 August 2019
AB Fagerhult (publ)

Jan Svensson
Chairman

Eric Douglas
Vice chairman

Morten Falkenberg
Board Member

Cecilia Fasth
Board Member

Annica Bresky
Board Member

Teresa Enander
Board Member

Patrik Palm
Board Member & Employee Representative

Lars-Åke Johansson
Board Member & Employee Representative

Magnus Nell
Board Member & Employee Representative

Rasmus Nilsson
Board Member & Employee Representative

Bodil Sonesson
President and CEO

This report has not been subject to a review by the company's auditor.

Interim report for the third quarter 2019 will be released on 25th October.

Information can be obtained from;

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Group

INCOME STATEMENT

	2019 Q2 3 months	2018 Q2 3 months	2019 Q1-2 6 months	2018 Q1-2 6 months	2018/2019 Jul-Jun 12 months	2018 Jan-Dec 12 months
Net sales	2,055.4	1,421.6	3,649.7	2,692.3	6,578.4	5,621.0
Cost of goods sold *	-1,285.6	-884.5	-2,260.5	-1,672.2	-4,062.5	-3,474.2
Gross profit *	**769.8**	**537.1**	**1,389.2**	**1,020.1**	**2,515.9**	**2,146.8**
Selling expenses *	-469.9	-259.8	-792.2	-507.1	-1,321.0	-1,035.9
Administrative expenses *	-133.4	-120.2	-292.3	-223.9	-535.4	-467.0
Other operating income	8.3	9.5	28.2	16.1	212.9	200.8
Other operating expenses	-	-	-	-	-138.9	-138.9
Operating profit *	**174.8**	**166.6**	**332.9**	**305.2**	**733.5**	**705.8**
Financial items *	-19.4	-10.7	-51.0	-20.0	-70.1	-39.1
Profit before tax *	**155.4**	**155.9**	**281.9**	**285.2**	**663.4**	**666.7**
Tax *	-40.9	-39.0	-74.4	-71.3	-166.7	-163.6
Net profit for the period *	**114.5**	**116.9**	**207.5**	**213.9**	**496.7**	**503.1**
Net profit for the period attributable to shareholders of the Parent Company *	111.9	116.9	203.7	213.9	492.9	503.1
Earnings per share, based on earnings attributable to shareholders of the parent during the year:						
Earnings per share before dilution, SEK *	0.74	1.02	1.56	1.87	3.71	4.39
Earnings per share after dilution, SEK *	0.74	1.02	1.56	1.87	3.71	4.39
Average number of outstanding shares before dilution	150,941	114,496	130,411	114,495	132,721	114,497
Average number of outstanding shares after dilution	150,941	114,496	130,411	114,495	132,721	114,497
Number of outstanding shares, thousands	176,136	114,500	176,136	114,500	176,136	114,500
STATEMENT OF COMPREHENSIVE INCOME						
Net profit for the period *	**114.5**	**116.9**	**207.5**	**213.9**	**496.7**	**503.1**
Other comprehensive income						
Items which may not be reversed in the income statement:						
Revaluation of pension plans	-	-	-	-	-0.7	-0.7
Items which may be reversed in the income statement:						
Translation differences	7.5	0.1	61.6	42.7	-20.6	-39.5
Other comprehensive income for the period, net after tax *	**7.5**	**0.1**	**61.6**	**42.7**	**-21.3**	**-40.2**
Total comprehensive income for the period *	**122.0**	**117.0**	**269.1**	**256.6**	**475.4**	**462.9**
Comprehensive income attributable to shareholders of the Parent Company *	119.4	117.0	265.3	256.6	471.6	462.9

* Impacted by IFRS 16 from 2019-01-01

BALANCE SHEET

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Intangible assets	6,197.2	3,393.2	3,159.9
Tangible fixed assets *	2,737.1	735.8	703.1
Financial assets *	157.6	53.9	52.1
Inventories	1,332.9	872.5	857.4
Accounts receivable - trade	1,556.4	1,077.0	925.0
Other non-interest-bearing current assets *	246.6	151.1	115.3
Cash and cash equivalents	989.1	636.4	808.4
Total assets	**13,216.9**	**6,919.9**	**6,621.2**
Equity *	5,208.0	1,920.2	2,129.2
Long-term interest-bearing liabilities *	4,878.9	3,157.6	2,465.1
Long-term non-interest-bearing liabilities	1,112.8	853.8	584.0
Short-term interest-bearing liabilities *	440.7	4.8	416.1
Short-term non-interest-bearing liabilities	1,576.5	983.5	1,026.8
Total equity and liabilities	**13,216.9**	**6,919.9**	**6,621.2**

* Impacted by IFRS 16 from 2019-01-01

CASH FLOW STATEMENT

	2019 Q2 3 months	2018 Q2 3 months	2019 Q1-2 6 months	2018 Q1-2 6 months	2018/2019 Jul-Jun 12 months	2018 Jan-Dec 12 months
Operating profit *	**174.8**	**166.6**	**332.9**	**305.2**	**733.5**	**705.8**
Adjustments for non-cash items *	-40.0	-56.7	40.3	19.9	86.0	65.6
Financial items *	-25.9	-9.9	-39.0	-18.4	-59.7	-39.1
Tax paid	-71.0	-68.1	-138.6	-108.5	-225.0	-194.9
Funds contributed from operating activities *	**37.9**	**31.9**	**195.6**	**198.2**	**534.8**	**537.4**
Change in working capital	108.1	-35.6	32.6	-289.2	162.5	-159.3
Cash flow from operating activities *	**146.0**	**-3.7**	**228.2**	**-91.0**	**697.3**	**378.1**
Cash flow from investing activities	-78.1	-348.0	-2,809.1	-376.5	-2,847.2	-414.6
Cash flow from financing activities *	-229.4	102.6	2,735.6	108.1	2,503.4	-124.1
Cash flow for the period	**-161.5**	**-249.1**	**154.7**	**-359.4**	**353.5**	**-160.6**
Cash and cash equivalents at beginning of period	1,152.9	874.6	808.4	949.9	636.4	949.9
Translation differences in cash and cash equivalents	-2.3	10.9	26.0	45.9	-0.8	19.1
Cash and cash equivalents at end of period	**989.1**	**636.4**	**989.1**	**636.4**	**989.1**	**808.4**

* Impacted by IFRS 16 from 2019-01-01

KEY RATIOS AND DATA PER SHARE

	2019 Q2 3 Months	2018 Q2 3 Months	2019 Q1-2 6 months	2018 Q1-2 6 months	2018/2019 Jul-Jun 12 months	2018 Jan-Dec 12 months
Sales growth, %	44.6	9.3	35.6	5.8	23.7	8.7
Growth in operating profit, % *	4.9	4.2	9.1	-2.6	9.5	4.1
Growth in profit before tax, % *	-0.3	6.2	-1.2	-2.5	2.8	2.2
Operating margin, % *	8.5	11.7	9.1	11.3	11.2	12.6
Profit margin, % *	7.6	11.0	7.7	10.6	10.1	11.9
Cash liquidity, % *	49.0	64.4	49.0	64.4	49.0	56.0
Net debt/EBITDA ratio *	3.6	3.0	4.0	3.2	3.7	2.0
Equity/assets ratio, % *	39.4	27.7	39.4	27.7	39.4	32.2
Capital employed, MSEK *	10,528	5,083	10,528	5,083	10,528	5,010
Return on capital employed, % *	6.7	13.4	8.7	12.8	9.5	14.8
Return on equity, % *	8.8	24.4	11.3	22.5	13.9	25.0
Net debt, MSEK *	4,331	2,526	4,331	2,526	4,331	2,073
Gross investment in non-current assets, MSEK *	77.1	53.2	141.9	94.7	206.2	159.0
Net investment in non-current assets, MSEK *	77.1	53.2	141.9	94.7	170.5	123.3
Depreciation/amortisation/impairment of non-current assets, MSEK *	123.5	46.3	213.5	90.2	443.6	320.3
Number of employees	4,136	3,327	4,360	3,333	3,756	3,384
Equity per share, SEK *	29.57	16.77	29.57	16.77	29.57	18.60
Number of outstanding shares, thousands	176,136	114,500	176,136	114,500	176,136	114,500

* Impacted by IFRS 16 from 2019-01-01

For more information about the Key ratios and the definitions applied, please refer to AB Fagerhult's website under "Investor/Financial data/Financial glossary." The website also includes the definition of any Alternative Performance Measures used whereas this report details the financial aspect to these.

CHANGES IN EQUITY

	Attributable to shareholders of the Parent Company					
	Share capital	Other contributed capital	Reserves	Retined earnings	Non-controlling interest	Total equity
Equity at 1 January 2018	**65.5**	**205.0**	**-198.7**	**1,818.7**		**1,890.5**
Net profit for the period				213.9		213.9
Other comprehensive income			42.7	-		42.7
Total comprehensive income for the period			42.7	213.9		256.6
Performance share plan				2.1		2.1
Dividend paid, SEK 2.00 per share				-229.0		-229.0
Equity at 30 June 2018	**65.5**	**205.0**	**-156.0**	**1,805.7**		**1,920.2**
Equity at 1 January 2019	**65.5**	**205.0**	**-238.2**	**2,096.9**		**2,129.2**
Net profit for the period				203.7	3.8	207.5
Other comprehensive income			61.6	-		61.6
Total comprehensive income for the period			61.6	203.7	3.8	269.1
Acquired Non-controlling interest					33.5	33.5
Issue in kind (11,244,805 shares)	6.4	820.2				826.6
Rights issue (50,298,038 shares), net amount	28.3	2,170.3				2,198.6
Performance share plan				2.5		2.5
Dividend paid, SEK 2.00 per share				-251.5		-251.5
Equity at 30 June 2019	**100.2**	**3,195.5**	**-176.6**	**2,051.6**	**37.3**	**5,208.0**

Parent company

INCOME STATEMENT

	2019 Q2 3 Months	2018 Q2 3 Months	2019 Q1-2 6 months	2018 Q1-2 6 months	2018/2019 Jul-Jun 12 months	2018 Jan-Dec 12 months
Net sales	3.8	3.6	7.5	7.2	15.4	15.1
Administrative expenses	-15.1	-14.6	-28.8	-29.7	-49.6	-50.5
Operating profit	**-11.3**	**-11.0**	**-21.3**	**-22.5**	**-34.2**	**-35.4**
Income from shares in subsidiaries	49.1	-	49.1	58.8	49.1	58.8
Financial items	1.8	-8.5	-10.7	-32.0	-5.9	-27.2
Profit before appropriations and tax	**39.6**	**-19.5**	**17.1**	**4.3**	**9.0**	**-3.8**
Group contributions received	-	-	-	-	260.0	260.0
Changes in tax allocation reserve	-	-	-	-	8.6	8.6
Tax	-	-	-	-	-45.8	-45.8
Net profit	**39.6**	**-19.5**	**17.1**	**4.3**	**231.8**	**219.0**

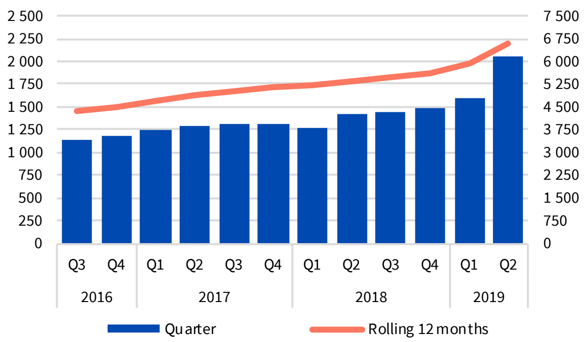
BALANCE SHEET

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Financial assets	7,607.4	3,576.7	3,796.4
Other receivables	87.5	77.9	46.9
Cash & Bank	245.2	137.7	328.7
Total assets	**7,940.1**	**3,792.3**	**4,172.0**
Equity	3,486.2	477.1	694.0
Untaxed reserves	-	8.6	-
Long-term interest bearing liabilities	4,042.6	3,025.1	2,706.8
Long-term non interest bearing liabilities	1.7	1.7	1.7
Short-term interest bearing liabilities	395.0	255.4	740.6
Short-term non interest bearing liabilities	14.6	24.4	28.9
Total Equity and Liabilities	**7,940.1**	**3,792.3**	**4,172.0**

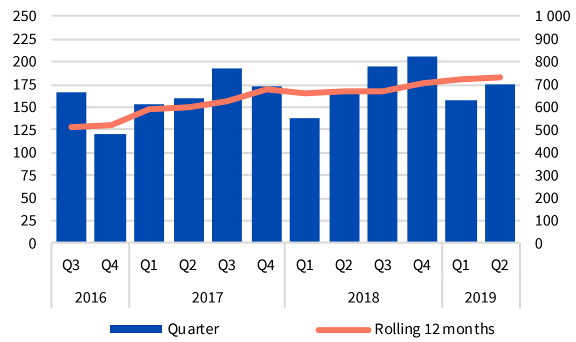
CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2018	**65.5**	**159.4**	**475.4**	**700.3**
Performance share program			3.7	3.7
Net profit for the period			219.0	219.0
Dividend paid, SEK 2.00 per share			-229.0	-229.0
Equity at 31 December 2018	**65.5**	**159.4**	**469.1**	**694.0**
Issue in kind (11,244,805 shares)	6.4		820.2	826.6
Rights issue (50,298,038 shares)	28.3		2,170.3	2,198.6
Performance share plan			1.4	1.4
Net profit for the period			17.1	17.1
Dividend paid, SEK 2.00 per share			-251.5	-251.5
Equity at 30 June 2019	**100.2**	**159.4**	**3,226.6**	**3,486.2**

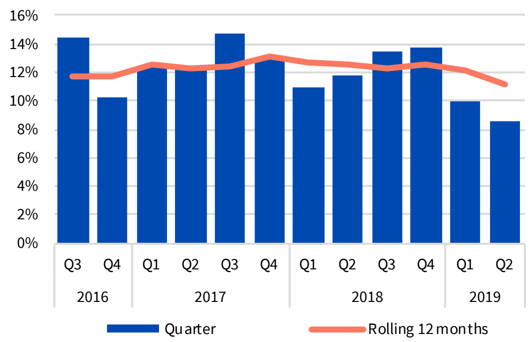
NET SALES, MSEK



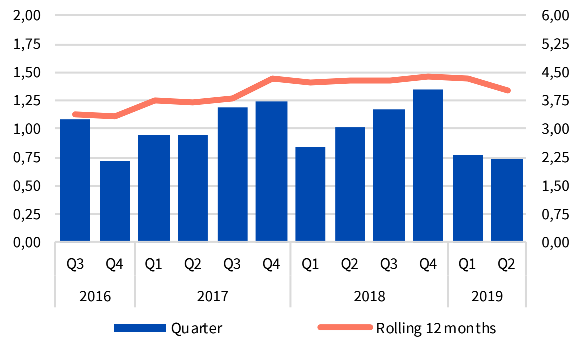
OPERATING PROFIT, MSEK



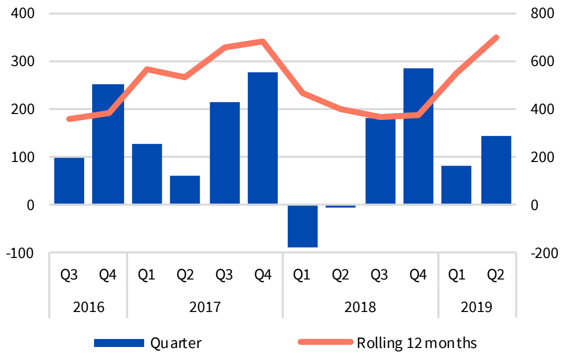
OPERATING MARGIN, %



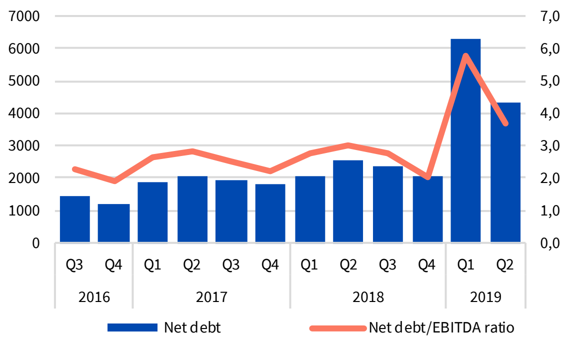
EARNINGS PER SHARE, SEK



OPERATING CASHFLOW



NET DEBT AND NET DEBT EBITDA RATIO

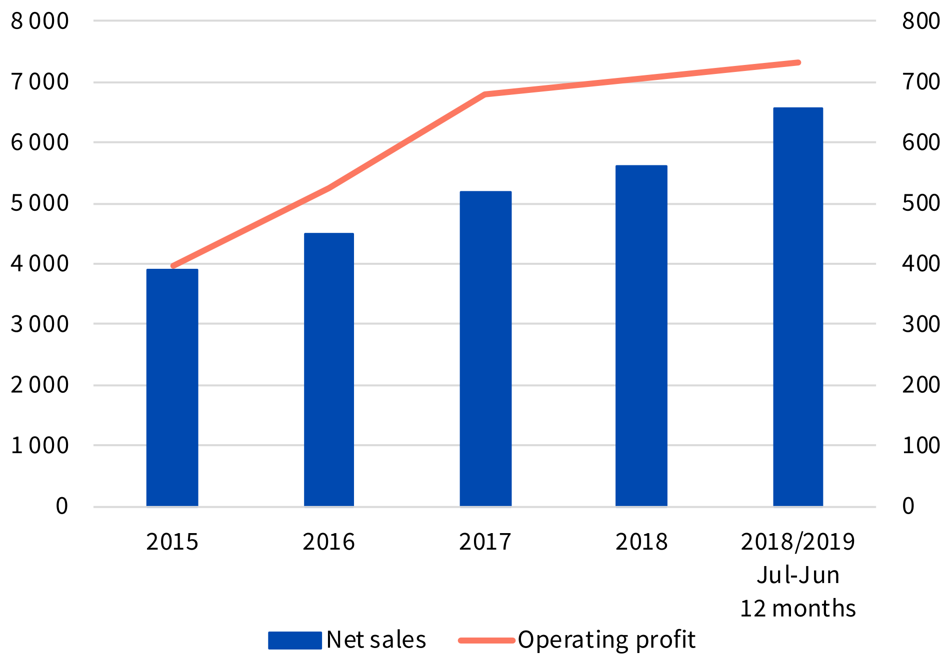


KEY RATIOS AND DATA PER SHARE

	2015	2016	2017	2018	2018/2019 Jul-Jun 12 months
Net sales, MSEK	3,909.4	4,490.7	5,170.3	5,621.0	6,578.4
Operating profit, MSEK *	396.0	524.2	677.9	705.8	733.5
Profit before tax, MSEK *	377.2	514.7	652.5	666.7	663.4
Earnings per share, SEK *	2.54	3.35	4.32	4.39	3.71
Sales growth, % *	4.6	14.9	15.1	8.7	23.7
Growth in operating profit, % *	4.6	32.4	29.3	4.1	9.5
Growth in profit before tax, % *	8.4	36.5	26.8	2.2	2.8
Operating margin, % *	10.1	11.7	13.1	12.6	11.2
Net debt/EBITDA ratio *	1.9	1.9	2.2	2.0	3.7
Equity/assets ratio, % *	38.4	33.8	31.0	32.2	39.4
Capital employed, MSEK *	2,846	3,581	4,670	5,010	10,528
Return on capital employed, % *	14.4	16.8	16.8	14.8	9.5
Return on equity, % *	20.9	24.9	28.1	25.0	13.9
Net debt, MSEK *	937	1,222	1,830	2,073	4,331
Net investment in non-current assets, MSEK *	117.9	169.0	177.1	123.3	170.5
Depreciation/amortisation/impairment of non-current assets, MSEK *	107.3	121.2	158.2	320.3	443.6
Number of employees	2,451	2,787	3,241	3,384	3,756

* Impacted by IFRS 16 from 2019-01-01

NET SALES AND OPERATING PROFIT, MSEK



New accounting principles IFRS 16 Leases

This note explains the effects in the Group's financial report when applying IFRS 16 Leases. In the balance sheet, the following adjustments were made regarding IFRS 16 Leases:

IFRS 16 BALANCE SHEET ADJUSTMENTS

	Closing balance 31 Dec 2018	Impact of transition to IFRS 16	Opening balance 1 Jan 2019	IFRS 16 impact 30 Jun 2019
Tangible fixed assets	703.1	797.0	1,500.1	939.4
Financial assets	-	-	-	2.0
Other non-interest-bearing current assets	115.3	-13.0	102.3	-18.5
Equity	-	-	-	-6.6
Long-term interest-bearing liabilities	2,465.1	668.7	3,133.8	773.3
Short-term interest-bearing liabilities	416.1	115.3	531.4	156.2

In the income statement, the following adjustment were made regarding IFRS 16 Leases:

IFRS 16 INCOME STATEMENT ADJUSTMENTS

	IFRS 16 impact 2019 Q1-2 6 months
Reversal of leasing costs under IAS 17	78.4
Depreciation	-75.1
Operating profit	3.3
Profit before tax	-8.7
Net profit for the period	-6.7

The Group has applied IFRS 16 Leases from January 1, 2019, which resulted in changed accounting policies and adjustments in the amounts reported in the financial report. In accordance with the transition provisions in IFRS 16 has the group applied the simplified transition method and therefore has not restated comparatives. All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,

the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases,

the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.