

## Interim Report January – September 2017

- Order intake was MSEK 3,939.3 (3,438.2), which is an overall growth of 14.6% adjusted to 1.4% for acquisitions (MSEK 448.0) and currency effects (MSEK 5.0)
- Net sales were MSEK 3,850.4 (3,317.0), which is an overall growth of 16.1% adjusted to 3.0% for acquisitions (MSEK 430.6) and currency effects (MSEK 4.9)
- Operating profit was MSEK 505.5 (404.3), representing a 25.0% increase with an operating margin of 13.1 (12.2)%
- Earnings after tax were MSEK 352.8 (298.3), an increase of 18.3%
- Earnings per share were SEK 3.09 (2.62), an increase of 17.9%
- Cash flow from operating activities was MSEK 405.1 (137.0), an increase of 195.7%
- During the quarter the Group completed the acquisition of the balance 49% of the shares in LED Linear UK, previously owning 51% and also acquired a 20% minority holding in the Danish outdoor specialist lighting controls business Seneco AS

### Comments from CEO Johan Hjertonsson:

- We are pleased that the Group continues to deliver strong results, especially when compared to the record results from 2016. The third quarter of 2017 has set new records for net sales and operating profit, which increased in the quarter 16.2% from Q3 2016 to MSEK 192.2 (165.4).
- Significantly, the 12 month rolling net sales for the first time in the Group's history now exceeds 5 BSEK.
- Market activity in most of our main markets was and remains positive, however it continues to be mixed in some smaller regions. The Group is well positioned to progress into the fourth quarter and 2018 as the order backlog is at a good level.
- The overall activity for order intake and net sales continue to be at a high level in many regions, showing organic growth from last year and resuming the positive trend from a slightly negative second quarter. The UK & Ireland business area, which has a significant share of net sales in Indoor Lighting continues to encounter currency headwinds with a year to date negative MSEK 55 (6%) impact on net sales.
- To support the development of organic growth, in September we are pleased to have opened our central Paris office and showroom facility, we now move to the second large city, Barcelona.
- The level of the global LED luminaire installed basis is suggested to be at between 5-10% and with a LED share of net sales at over 90%, the Group is very well positioned to capitalise on this forward looking opportunity.
- Finally, we welcome the LED Linear UK team to the Group and we look forward to working together and collaborating in the UK & Ireland on the many existing opportunities.

**GROUP****JANUARY – SEPTEMBER**

Activity levels during the third quarter demonstrated a picture very similar to what we have experienced for the last seven quarters, a mixed operating landscape, which is generally positive in our larger markets with some negative activity in some smaller markets. However, in two of these smaller markets we have seen increased activity for order income in the quarter which translates to improved operating results.

All business areas report net sales growth compared to last year, even in the UK & Ireland business area despite the above mentioned MSEK 55 adverse currency impact.

The Group's order intake for the year to date at 3,939,3 (3,438.2) MSEK shows total growth at 14.6% adjusting to 1.4% for acquisition and currency effects. The 1.4% is ahead of the 1.3% organic growth for the first half year as the Group recorded a 1.7% organic growth in the third quarter.

Net sales were MSEK 3,850.4 (3,317.0), which was an overall increase of 16.1% and an increase of 3.0% when adjusted for acquisition and currency effects. In the quarter sales continued to be particularly strong in Sweden, Spain and Australia and also Germany and Turkey had a strong third quarter.

The operating profit for the period was MSEK 505.5 (404.3), representing a 25.0% increase compared to the previous year and resulting in an operating margin improvement from 12.2% to 13.1%. The Northern Europe and Western & Southern Europe business areas report operating margin improvements in the year to date, a healthy 2.6% in Northern Europe and whilst the UK & Ireland business area includes an MSEK 9.2 negative currency impact at the operating profit level, sustained margins at 15.4% are high. The Africa, Asia & the Pacific operating margin improved to 8.4% for the year to date compared to the 6.9% at the half year, 11.1% in the third quarter.

As reported, as a result of the Brexit referendum, we have seen a SEK/GBP 6.1% negative exchange rate shift. As we progress through the year and assuming no further significant changes in the relative strength of the two currencies we expect the monthly impact to reduce.

Financial items were MSEK -28.8 (-7.9) with the higher cost attributable to higher interest charges on increased borrowings and hedging activities as well as MSEK -4.6 attributable to adverse currency effects. Interest charges are likely to reduce for the rest of the year as positive cash flow increases and borrowings reduce.

The tax expense for the year to date was MSEK -123.9 (-98.1), which results in a 1.3% higher tax rate of 26.0% than in the previous year due to the mix of earnings in higher tax economies.

During the year the Group continues to make significant progress in its strategy to embrace lighting controls as a key differentiator to offer complete lighting solutions to our customers. During the second quarter the acquisition of the Organic Response intellectual property targeting the indoor lighting segment and this was complimented in the third quarter by a 20% shareholding in Seneco AS whose technology serves outdoor lighting solutions and like Organic Response, will be marketed across all the Group's brands.

Net sales in Retail and Outdoor Lighting product areas showed an increase for the year to date compared to 2016, Retail Lighting grew 6.3% adjusted for currency and acquisition effects and Outdoor Lighting grew 53.2% adjusted for currency and acquisition effects. Sales in Indoor Lighting reduced 0.7% year on year on a like for like basis with the regional difficulties in Russia and South Africa being the difference.

<b>NET SALES PER PRODUCT AREA</b>				
	<b>Q 3</b>		<b>Q 1-3</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Indoor Lighting	688.8	745.2	2 180.4	2 207.2
Retail Lighting	307.9	296.6	910.3	853.3
Outdoor Lighting	309.0	102.6	759.7	256.5
	<b>1 305.7</b>	<b>1 144.4</b>	<b>3 850.4</b>	<b>3 317.0</b>

## THE THIRD QUARTER

The third quarter order intake at MSEK 1,238.9 (1,088.7) is a high third quarter for the Group with good year on year performances in Northern and Western Europe and the Asia Pacific areas.

This is an overall increase of 13.8% and after adjusting for acquisition and currency effects, the like for like order intake increased 1.7% compared to the strong 2016. The Group continues to expand across different regions and continents and so we are beginning to see a change in the historical summer time seasonality effects on the Group's activity levels.

Net sales for the third quarter were a record MSEK 1,305.7 (1,144.4), which represents an overall increase of 14.1%, reducing to 1.3% after adjusting for acquisitions and currency effects. The negative 6.1% currency headwinds from the UK have affected sales in the quarter by MSEK 14.6 or 1.3%.

The operating profit in the quarter was an unprecedented MSEK 192.2 (165.4), a 16.2% increase, delivering an operating margin of 14.7 (14.5)% and the operating cash flow was a significant MSEK 216.6 (98.0) as the operating businesses demonstrated good working capital control.

## BUSINESS AREAS

NET SALES, OPERATING PROFIT AND OPERATING MARGIN PER BUSINESS AREA												
	Net sales				Operating profit				Operating margin, %			
	Q 3		Q 1-3		Q 3		Q 1-3		Q 3		Q 1-3	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Northern Europe	477.5	486.3	1 518.1	1 481.7	68.6	62.6	194.8	151.8	14.4	12.9	12.8	10.2
UK and Ireland	298.5	306.6	925.7	915.9	48.7	53.8	143.0	145.2	16.3	17.5	15.4	15.9
Western and Southern Europe	478.5	303.1	1 241.1	754.8	65.5	44.3	152.6	91.3	13.7	14.6	12.3	12.1
Africa, Asia and the Pacific	177.9	166.7	506.1	479.7	19.7	21.5	42.4	61.9	11.1	12.9	8.4	12.9
Other	-	-	-	-	-10.3	-16.8	-27.3	-45.9	-	-	-	-
Eliminations	-126.7	-118.3	-340.6	-315.1	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1 305.7</b>	<b>1 144.4</b>	<b>3 850.4</b>	<b>3 317.0</b>	<b>192.2</b>	<b>165.4</b>	<b>505.5</b>	<b>404.3</b>	<b>14.7</b>	<b>14.5</b>	<b>13.1</b>	<b>12.2</b>
Financial unallocated items					-8.1	0.8	-28.8	-7.9				
<b>Profit before tax</b>					<b>184.1</b>	<b>166.2</b>	<b>467.7</b>	<b>396.4</b>				

## NORTHERN EUROPE

This business area comprises the Group's units and companies in the Nordic countries, the Baltic countries 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.

Net sales in the year to date were MSEK 1,518.1 compared with MSEK 1,481.7 in the same period last year. Adjusted for currency effects the net sales increase was 1.2% and was due mainly to increased sales in Sweden and Norway.

The operating profit for the same period was MSEK 194.8 (151.8) and the operating margin increased 2.6 percentage points from 10.2% to 12.8%.

<b>Northern Europe</b>				
	<b>Q 3</b>		<b>Q 1-3</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net Sales	477.5	486.3	1 518.1	1 481.7
<i>(of which to group companies)</i>	<i>(79.6)</i>	<i>(82.6)</i>	<i>(216.4)</i>	<i>(225.1)</i>
Operating profit	68.6	62.6	194.8	151.8
Operating margin, %	14.4	12.9	12.8	10.2
Sales growth, %	-1.8	6.9	2.5	9.8
Sales growth, adjusted for exchange rate differences, %	-1.7	6.8	1.2	11.4
Growth in Operating profit, %	9.6	38.8	28.3	51.3

#### UK AND IRELAND

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

Net sales in the year to date were MSEK 925.7 compared with MSEK 915.9 in 2016. Adjusted for currency effects, this was a growth of 7.4%. In local currency like-for-like sales in all business units are ahead of last year and new business enquiry and quotation activity levels remains high whilst there has been some recent project delays for up to 4-6 weeks. The sales company in Ireland shows a high-teen order income growth as the Irish economy continues to recover well.

The operating profit for the year to date, despite being negatively affected by MSEK 9.2 was MSEK 143.0 (145.2) and the operating margin was 15.4 (15.9)%.

<b>UK and Ireland</b>				
	<b>Q 3</b>		<b>Q 1-3</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net Sales	298.5	306.6	925.7	915.9
<i>(of which to group companies)</i>	<i>(9.4)</i>	<i>(13.4)</i>	<i>(39.6)</i>	<i>(36.6)</i>
Operating profit	48.7	53.8	143.0	145.2
Operating margin, %	16.3	17.5	15.4	15.9
Sales growth, %	-2.6	-6.7	1.1	4.8
Sales growth, adjusted for exchange rate differences, %	2.3	8.8	7.4	15.2
Growth in Operating profit, %	-9.5	-0.6	-1.5	23.4

#### WESTERN AND SOUTHERN EUROPE

This business area comprises our operations in Germany, the Netherlands, France, Spain, and Poland. The larger operations; WE-EF, LTS Licht & Leuchten and LED Linear are based in Germany and all engage in the development, manufacture and sales of lighting systems. The results of the newly acquired WE-EF group based in Bispingen, Germany have been included in the business area from 1 March 2017. As LED

Linear UK is a wholly owned subsidiary of LED Linear GmbH its results are consolidated from the 1 September within this business area.

Net sales for the year to date were MSEK 1,241.1 compared with MSEK 754.8 in the prior year. Sales grew at a strong rate in Spain, France and Poland and the recent acquisitions of LED Linear in Germany and WE-EF continue to perform well.

The operating profit for the same period was MSEK 152.6 (91.3) generating an operating margin increase from 12.1% to 12.3%.

<b>Western and Southern Europe</b>				
	<b>Q 3</b>		<b>Q 1-3</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net Sales	478.5	303.1	1 241.1	754.8
<i>(of which to group companies)</i>	<i>(13.3)</i>	<i>(8.8)</i>	<i>(31.2)</i>	<i>(22.7)</i>
Operating profit	65.5	44.3	152.6	91.3
Operating margin, %	13.7	14.6	12.3	12.1
Sales growth, %	57.9	45.1	64.4	30.7
Sales growth, adjusted for exchange rate differences, %	57.3	44.5	60.5	31.1
Growth in Operating profit, %	47.9	94.3	67.1	56.6

#### **AFRICA, ASIA AND THE PACIFIC**

The business area comprises our operations in South Africa, Turkey, the United Arab Emirates, Australia and New Zealand. Development, manufacturing and sales of lighting systems are conducted in South Africa, Australia and Turkey, while the operations in the United Arab Emirates and New Zealand engage in sales. The OR Technologies Pty Ltd business, based in Melbourne Australia, the new company set up to develop and market the OR technology has been consolidated in this business area from May 2017.

Market activity in Australia and Turkey is healthy compared to last year with good order income, order backlog and net sales levels. In South Africa the market remains tough although recent trading in the quarter has improved and in our Middle Eastern based business we are seeing strong order income in the last 2 months with projects like; Riyadh Metro, Abu Dhabi Rehab Hospital and large indoor lighting projects in Egypt.

Net sales in the year to date were MSEK 506.1 up from MSEK 479.7 in the prior year, which represents an increase of 5.0% after adjusting for currency effects.

The operating profit was MSEK 42.4 (61.9) and the operating margin 8.4 (12.9)%. The prior year includes 11 MSEK of M&A related non-recurring income. We are pleased with the development in operating margin in the quarter of 11.1% lifting the half year operating margin from 6.9% to the current 8.4%. The operating margin is expected to increase further in the fourth quarter.

<b>Africa, Asia and the Pacific</b>				
	<b>Q 3</b>		<b>Q 1-3</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net Sales	177.9	166.7	506.1	479.7
<i>(of which to group companies)</i>	<i>(24.5)</i>	<i>(13.5)</i>	<i>(53.5)</i>	<i>(30.7)</i>
Operating profit	19.7	21.5	42.4	61.9
Operating margin, %	11.1	12.9	8.4	12.9
Sales growth, %	6.7	41.3	5.5	35.2
Sales growth, adjusted for exchange rate differences, %	13.0	44.7	5.0	47.0
Growth in Operating profit, %	-8.4	46.3	-31.5	51.0

## OTHER

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

## FINANCIAL POSITION

The Group's equity/assets ratio at the end of the period was 30 (33)%. Cash and bank balances at the end of the period were MSEK 759 (518) and consolidated equity was MSEK 1,769 (1,569).

The adverse cash flow, which includes the acquisition of the WE-EF group, the Organic Response IP, the 20% minority shareholding in Seneco AS and the completion of the full acquisition of LED Linear UK resulted in an increase in net debt to MSEK 1,957 (1,445). During the second quarter the dividend of MSEK 171.4 adopted at the AGM was paid out.

Cash flow from operating activities was MSEK 405.1 (137.0). The MSEK 268.1 positive movement was mainly due to an increased EBITDA of MSEK 125 and improved control over working capital of MSEK 114 compared to the prior period.

Pledged assets and contingent liabilities amounted to SEK 7.3 million (7.3) and SEK 1.5 million (2.2), respectively.

## INVESTMENTS

The Group's gross investments in non-current assets were MSEK 122 (139). The figure does not include investments in subsidiaries, which were MSEK 792 (342).

## ACQUISITION OF WE-EF AND FLUX

As reported in the first quarterly report published on 3 May 2017 and the second interim report published on 17 August 2017, Fagerhult acquired 100% of the shares of WE-EF based in Bispingen, Germany and Flux Eclairage based in Lyon, France and the companies have been consolidated into the Fagerhult Group from 1 March 2017, reported under the business area Western & Southern Europe. See

also press releases of 23 December 2016, 9 March 2017 plus Annual Report 2016.

This acquisition takes the Group's sales in the outdoor application area to a run-rate exceeding 1 BSEK and creates an Outdoor lighting share of net sales of approximately 20%.

WE-EF designs and manufactures outdoor lighting fixtures for a wide range of exterior lighting application areas. The company has two factories in Germany and one in Thailand, as well as assembly plants in Australia and France and has successfully established a global sales presence with strong sales in Europe, particularly Germany and France, as well as sales in other regions such as Australia, the UK and the US. WE-EF is a leading outdoor lighting brand, recognised globally and known throughout the industry as having a very strong outdoor lighting solutions portfolio. Their reputation has been built up based on a long history of highly innovative, German designed and engineered outdoor lighting solutions.

In the year ending June 2016, WE-EF had 484 employees, consolidated sales of approximately 57 MEUR and a profitability rate in line with that of the Fagerhult Group. Fagerhult paid 77,5 MEUR for 100% of the shares of the WE-EF group companies. In addition, Fagerhult also paid 5 MEUR for 100% of the shares in Flux Eclairage S.A.S., which is a French outdoor lighting company co-located with WE-EF LUMIERE in Lyon, France. Flux Eclairage had sales of approximately 5 MEUR for the year ending December 31, 2015 and 20 staff.

The WE-EF transaction is financed with new credit facilities and 5% (158,974 shares) using existing AB Fagerhult treasury shares, the Flux transaction is financed only with new credit facilities. Part of the 77,5 MEUR, some 7,5 MEUR is tied to the company performance during the first two years.

WE-EF group companies included in this transaction are:

- WE-EF LEUCHTEN GmbH, Germany
- WE-EF TRADING & DESIGN GmbH, Germany
- WE-EF LIGHTING Co. Ltd., Thailand
- WE-EF LIGHTING Ltd., UK
- WE-EF LIGHTING USA LLC, USA
- Plus
- Flux Eclairage S.A.S., France
- WE-EF LEUCHTEN GmbH & Co. KG, Germany
- WE-EF LUMIERE S.a.r.l., France
- WE-EF HELVITICA SA, Switzerland
- WE-EF LIGHTING Pty. Ltd., Australia

**The consideration consists of the following components:**

Cash paid	744.4
Paid with AB Fagerhult treasury shares (158,974 shares)	45.6
Total consideration	790.0
Net assets acquired	638.1
Goodwill	151.9

The assets and liabilities arising from the acquisition are as follows and have been consolidated as such;

#### The assets and liabilities arising from the acquisition

	Fair value
Cash and cash equivalents	73.2
Property, plant and equipment	199.0
Financial assets	3.5
Intangible assets	426.8
Inventories	115.8
Receivables	116.6
Liabilities	-148.1
Deferred tax liabilities	-148.7
Net assets	638.1
<b>Net assets acquired</b>	<b>638.1</b>
Cash purchase consideration	790.0
Cash and cash equivalents in the acquired company	-73.2
<b>Change in consolidated cash and cash equivalents on acquisition</b>	<b>716.8</b>

Transaction costs amounted to MSEK 23.6 and were recognised under the item Administrative expenses in the profit and loss accounts for the fourth quarter 2016.

#### ACQUISITION OF ORGANIC RESPONSE – INTELLECTUAL PROPERTY

As part of the Fagerhult Group's strategy to develop lighting controls solutions to meet market and customer needs in this technology segment and to leverage sales of the Group's luminaire brands on the 3 April 2017 Fagerhult acquired the Intellectual Property Rights (IPR) and certain of the assets of Organic Response Pty Ltd (Administrators Appointed) and Organic Response Investors Pty Ltd (Administrators Appointed).

These IPR and assets relate to the lighting control and building analytics solution known under the Organic Response brand name.

Fagerhult paid MSEK 21.9 for the IPR and other assets. The valuation of assets acquired amounted to MSEK 18.2 with the balance MSEK 3.7 being put to goodwill.

The business has been consolidated in the Fagerhult Group from 1 May 2017 and reported under the business area Africa, Asia and the Pacific.

#### ACQUISITION OF LED LINEAR UK

On 4 September 2017 the Fagerhult Group acquired the remaining 49% stake in LED Linear UK, making this successful UK based sales company, a 100% owned subsidiary.

Fagerhult paid MSEK 10.4 as an initial payment for 100% of the shares in LED Linear UK with a further MSEK 18.6 payable depending on the company's performance during the three years to March 2020. The valuation of assets acquired amounted to MSEK 7.1 with the balance MSEK 21.9 being put to goodwill.



Transaction costs amounted to MSEK 0.5 and were recognised under the item Administrative expenses in the profit and loss accounts for the third quarter 2017.

The business has been consolidated in the Fagerhult Group from 1 September 2017 and reported under the business area Western and Southern Europe.

#### **EMPLOYEES**

The average number of employees during the period was 3,147 (2,709).

#### **PARENT COMPANY**

AB Fagerhult's operations comprise Group Management, financing and business development activities. The profit after financial items was MSEK 115.0 (26.3).

The number of employees during the period was 6 (6).

#### **ACCOUNTING PRINCIPLES**

This 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 1-17 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 2. The policies applied are unchanged compared with the preceding year.

For more information about the accounting policies applied, please refer to AB Fagerhult's Annual report 2016.

#### **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 2016 Annual Report. In addition to the risks described in the company's Annual Report, no other significant risks are considered to have arisen.

#### **NOMINATION COMMITTEE**

AB Fagerhult has a Nomination Committee comprising a representative of each of the four largest shareholders or owner groups in terms of the number of votes, and also the Chairman of the Board, although the Chairman of the Board of Directors shall be co-opted ("adjungerad") without the right to vote.

The Nomination Committee is to be formed after the Chairman of the Board has identified the four largest shareholders in the Company in terms of the number of votes that are to make up the Nomination Committee along with the Chairman. The identity of these shareholders is to be based on the shareholders' register and list of nominees maintained by Euroclear Sweden AB and refer to those

shareholders registered under their own names or as members of an owner group as per 31 August 2017. It shall not be necessary to change the composition of the Nomination Committee if only marginal changes in the ownership of shares occur after this control date. If one of the four largest shareholders waives their right to appoint a representative, this right is then transferred to the next shareholder that has the largest shareholding of the shareholders not identified as one of the four largest shareholders on the same date.

The mandate period of the Nomination Committee is until a new Nomination Committee is appointed.

### The largest shareholders as per 29<sup>th</sup> September 2017

<i>Name</i>	<i>No. of shares</i>	<i>Share capital and voting rights, %</i>
Investment AB Latour	55 861 200	48,3%
SSB CL Omnibus AC, USA	9 752 886	8,4%
The Svensson, family, foundation and company	8 144 389	7,0%
Lannebo Funds	7 585 920	6,6%
Swedbank Robur Small Business Funds	4 711 199	4,1%
Nordea Investment Funds	3 218 253	2,8%
The Palmstierna Family	3 018 600	2,6%
SEB Investment Management	2 533 320	2,2%

The Nomination Committee consists of the following individuals together with the names of the shareholders that they represent; Jan Svensson as Chairman of the Board of AB Fagerhult (not entitled to vote), Eric Douglas representing Investment AB Latour, Göran Espelund representing Lannebo Funds, Evert Carlsson representing Swedbank Robur Small Business Funds and Jan Särilvik representing Nordea Investment Funds.

Questions regarding the nomination committee shall be addressed to the Group's CFO Michael Wood, [michael.wood@fagerhult.se](mailto:michael.wood@fagerhult.se)

### OUTLOOK FOR 2017 & 2018

During the last three years, organic and acquisitive growth has led to a strong positive sales and earnings trend for the Group in all business areas.

During this period, the Group has, and will for the foreseeable future, continue to; capitalise on its brand strategy, invest in research and development of luminaires and increasingly in lighting controls solutions, exploit the synergies from acquisitions, particularly where such acquisitions bring a complimentary product offering and increase the operational capacity and capabilities. Future acquisitions are also key to continuing the Group's development.

The Group has established a strong position in all of its main markets, product areas and increased its market share during this period.

For the last 18-24 months, the Group's main markets have displayed steady growth and management expects this situation to continue for the rest of 2017 and into the early part of 2018. The Group enters the last quarter of the year with a good order book level.

11(17)

We intend to continue making significant investment in product and technology development, sales and marketing, as well as increased internationalisation.

We estimate that it is possible to continue strengthening the Group's market share and further grow its position in Indoor, Retail and especially Outdoor lighting as well as making continued progress in the controls space.

Habo, 24<sup>th</sup> October 2017

AB Fagerhult (publ)

Johan Hjertonsson

President and CEO

The year-end report will be submitted on 26<sup>th</sup> February 2018.

In 2018, interim reports will be submitted on 23<sup>rd</sup> April, 22<sup>nd</sup> August and 23<sup>rd</sup> October.

The Annual General Meeting will be held on 23<sup>rd</sup> April 2018.

Information can be obtained from Johan Hjertonsson, CEO, or Michael Wood, CFO,  
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## Report of Review of Interim Financial Information

### Introduction

We have reviewed the condensed interim financial information (interim report) of AB Fagerhult (publ) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### The review focus and scope

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Jönköping, 24<sup>th</sup> October 2017

Öhrlings PricewaterhouseCoopers AB

**Peter Nyllinge**

Authorized Public Accountant

Auditor-in-Charge

**Martin Odqvist**

Authorized Public Accountant

## GROUP

## INCOME STATEMENT

	2017 Jul-Sep 3 months	2016 Jul-Sep 3 months	2017 Jan - Sep 9 months	2016 Jan - Sep 9 months	2016/17 Oct-Sep 12 months	2016 Jan-Dec 12 months
<b>Net sales</b>	<b>1 305.7</b>	<b>1 144.4</b>	<b>3 850.4</b>	<b>3 317.0</b>	<b>5 024.1</b>	<b>4 490.7</b>
Cost of goods sold	-789.3	-737.0	-2 404.5	-2 172.4	-3 149.2	-2 917.1
<b>Gross profit</b>	<b>516.4</b>	<b>407.4</b>	<b>1 445.9</b>	<b>1 144.6</b>	<b>1 874.9</b>	<b>1 573.6</b>
Selling expenses	-220.1	-185.7	-682.6	-559.2	-906.8	-783.4
Administrative expenses	-110.5	-62.6	-278.1	-211.7	-382.1	-315.7
Other operating income	6.4	6.3	20.3	30.6	39.4	49.7
<b>Operating profit</b>	<b>192.2</b>	<b>165.4</b>	<b>505.5</b>	<b>404.3</b>	<b>625.4</b>	<b>524.2</b>
Financial items	-8.1	0.8	-28.8	-7.9	-30.4	-9.5
<b>Profit after financial items</b>	<b>184.1</b>	<b>166.2</b>	<b>476.7</b>	<b>396.4</b>	<b>595.0</b>	<b>514.7</b>
Tax	-47.8	-41.8	-123.9	-98.1	-159.6	-133.8
<b>Net profit for the period</b>	<b>136.3</b>	<b>124.4</b>	<b>352.8</b>	<b>298.3</b>	<b>435.4</b>	<b>380.9</b>
Net profit for the period attributable to shareholders of the Parent Company	<b>136.3</b>	<b>124.4</b>	<b>352.8</b>	<b>298.3</b>	<b>435.4</b>	<b>380.9</b>
<b>Earnings per share, based on earnings attributable to shareholders of the parent during the year</b>						
Earnings per share before dilution, SEK	1.19	1.09	3.09	2.62	3.81	3.35
Earnings per share after dilution, SEK	1.19	1.09	3.09	2.62	3.81	3.35
Average number of outstanding shares before dilution	114 492	113 818	114 274	113 742	114 274	113 761
Average number of outstanding shares after dilution	114 492	113 818	114 274	113 742	114 274	113 761
Number of outstanding shares, thousands	114 492	113 818	114 492	113 818	114 492	113 818
<b>Statement of comprehensive income</b>						
<b>Net profit for the period</b>	<b>136.3</b>	<b>124.4</b>	<b>352.8</b>	<b>298.3</b>	<b>435.4</b>	<b>380.9</b>
<b>Other comprehensive income</b>						
Items which may be reversed in the income statement:						
Revaluation of pension plans	-	-	-	-	-0.8	-0.8
Translation differences	-39.3	-3.9	-87.2	-36.1	-111.5	-60.4
<b>Other comprehensive income for the period, net after tax</b>	<b>-39.3</b>	<b>-3.9</b>	<b>-87.2</b>	<b>-36.1</b>	<b>-112.3</b>	<b>-61.2</b>
<b>Total comprehensive income for the period</b>	<b>97.0</b>	<b>120.5</b>	<b>265.6</b>	<b>262.2</b>	<b>323.1</b>	<b>319.7</b>
Comprehensive income attributable to shareholders of the Parent Company	<b>97.0</b>	<b>120.5</b>	<b>265.6</b>	<b>262.2</b>	<b>323.1</b>	<b>319.7</b>

<b>BALANCE SHEET</b>	30 Sep 2017	30 Sep 2016	31 Dec 2016
Intangible assets	2 620.0	2 082.7	2 068.7
Tangible fixed assets	646.2	437.3	447.7
Financial assets	45.6	49.7	34.0
Inventories, etc.	748.7	671.5	684.7
Accounts receivable – trade	958.0	880.4	761.3
Other non-interest-bearing current assets	132.1	109.0	86.2
Cash and cash equivalents	758.7	517.8	731.6
<b>Total assets</b>	<b>5 909.3</b>	<b>4 748.4</b>	<b>4 814.2</b>
Equity	1 769.4	1 568.6	1 627.1
Long-term interest-bearing liabilities	2 714.7	1 963.1	1 820.4
Long-term non-interest-bearing liabilities	453.2	365.6	369.6
Short-term interest-bearing liabilities	1.3	-	133.2
Short-term non-interest-bearing liabilities	970.7	851.1	863.9
<b>Total equity and liabilities</b>	<b>5 909.3</b>	<b>4 748.4</b>	<b>4 814.2</b>

<b>CASH FLOW STATEMENT</b>	2017 Jul-Sep 3 months	2016 Jul-Sep 3 months	2017 Jan - Sep 9 months	2016 Jan - Sep 9 months	2016/17 Oct-Sep 12 months	2016 Jan-Dec 12 months
<b>Operating profit</b>	<b>192.2</b>	<b>165.4</b>	<b>505.5</b>	<b>404.3</b>	<b>625.4</b>	<b>524.2</b>
Adjustments for non-cash items	72.1	8.0	95.0	23.3	97.8	55.7
Financial items	-10.0	-4.0	-24.8	-12.8	-29.6	-17.6
Tax paid	-33.9	-35.5	-124.3	-117.9	-150.2	-143.8
<b>Funds contributed from operating activities</b>	<b>220.4</b>	<b>133.9</b>	<b>451.4</b>	<b>296.9</b>	<b>543.4</b>	<b>418.5</b>
Change in working capital	-3.8	-35.9	-46.3	-159.9	82.9	-30.7
<b>Cash flow from operating activities</b>	<b>216.6</b>	<b>98.0</b>	<b>405.1</b>	<b>137.0</b>	<b>626.3</b>	<b>387.8</b>
Cash flow from investing activities	-97.3	-43.6	-918.2	-468.8	-919.0	-499.2
Cash flow from financing activities	-217.1	34.8	562.4	370.0	556.0	363.6
<b>Cash flow for the period</b>	<b>-97.8</b>	<b>89.2</b>	<b>49.3</b>	<b>38.2</b>	<b>263.3</b>	<b>252.2</b>
Cash and cash equivalents at beginning of period	869.4	424.6	731.6	471.9	517.8	471.9
Translation differences in cash and cash equivalents	-12.9	4.0	-22.2	7.7	-22.4	7.5
<b>Cash and cash equivalents at end of period</b>	<b>758.7</b>	<b>517.8</b>	<b>758.7</b>	<b>517.8</b>	<b>758.7</b>	<b>731.6</b>

## KEY RATIOS AND DATA PER SHARE

	2017 Jul-Sep 3 months	2016 Jul-Sep 3 months	2017 Jan - Sep 9 months	2016 Jan - Sep 9 months	2016/17 Oct-Sep 12 months	2016 Jan-Dec 12 months
Sales growth, %	14.1	13.1	16.1	15.3	15.5	14.9
Growth in operating profit, %	16.2	30.6	25.0	40.6	22.0	32.4
Growth in profit after financial items, %	10.8	34.8	20.3	44.8	19.0	36.5
Operating margin, %	14.7	14.5	13.1	12.2	12.4	11.7
Profit margin, %	14.1	14.5	12.4	12.0	11.8	11.5
Cash liquidity, %	78	61	78	61	78	73
Net debt/EBITDA ratio	2.1	1.8	2.4	2.2	2.5	1.9
Equity/assets ratio, %	30	33	30	33	30	34
Capital employed, MSEK	4 485	3 532	4 485	3 532	4 485	3 581
Return on capital employed, %	17.3	18.9	16.8	17.2	15.9	16.8
Return on equity, %	30.8	31.7	27.7	26.5	26.1	24.9
Net debt, MSEK	1 957	1 445	1 957	1 445	1 957	1 222
Gross investment in non-current assets, MSEK	35.7	43.4	122.4	138.9	152.5	169.0
Net investment in non-current assets, MSEK	35.7	43.4	122.4	138.9	152.5	169.0
Depreciation/amortisation of non-current assets, MSEK	45.4	34.2	118.3	94.9	144.6	121.2
Number of employees	3 182	2 726	3 216	2 743	3 001	2 787
Equity per share, SEK	15.45	41.34	15.45	41.34	15.45	14.30
Number of outstanding shares, thousands	114 492	113 818	114 492	113 818	114 492	113 818

For more information about the Key ratios and the definitions applied, please refer to AB Fagerhult's website under "Investor relations / Financial definitions." 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	Translation differences	Retained earnings	Total equity
<b>Equity at 1 January 2016</b>	<b>65.5</b>	<b>159.4</b>	<b>-32.6</b>	<b>1 244.8</b>	<b>1 437.1</b>
Net profit for the period				298.3	298.3
Other comprehensive income			-36.1		-36.1
Total comprehensive income for the period			-36.1	298.3	262.2
Performance share plan				1.8	1.8
Dividend paid, SEK 3.50 per share				-132.5	-132.5
<b>Equity at 30 September 2016</b>	<b>65.5</b>	<b>159.4</b>	<b>-68.7</b>	<b>1 412.4</b>	<b>1 568.6</b>
<b>Equity at 1 January 2017</b>	<b>65.5</b>	<b>159.4</b>	<b>-93.0</b>	<b>1 495.2</b>	<b>1 627.1</b>
Net profit for the period				352.8	352.8
Other comprehensive income			-87.2		-87.2
Total comprehensive income for the period			-87.2	352.8	265.6
Disposal of own shares – WE-EF acquisition		45.6			45.6
Performance share plan				2.5	2.5
Dividend paid, SEK 4.50 per share				-171.4	-171.4
<b>Equity at 30 September 2017</b>	<b>65.5</b>	<b>205.0</b>	<b>-180.2</b>	<b>1 679.1</b>	<b>1 769.4</b>

## PARENT COMPANY

## INCOME STATEMENT

	2017 Jul-Sep 3 months	2016 Jul-Sep 3 months	2017 Jan - Sep 9 months	2016 Jan - Sep 9 months	2016/17 Oct-Sep 12 months	2016 Jan-Dec 12 months
Net sales	3.6	4.0	10.8	13.7	15.1	18.0
Selling expenses	-	-	-	-1.6	-	-1.6
Administrative expenses	-9.9	-11.3	-35.2	-35.5	-52.5	-52.8
<b>Operating profit</b>	<b>-6.3</b>	<b>-7.3</b>	<b>-24.4</b>	<b>-23.4</b>	<b>-37.4</b>	<b>-36.4</b>
Income from shares in subsidiaries	-	-	143.3	46.9	143.3	46.9
Financial items	-1.1	1.3	-3.9	2.8	5.6	12.3
<b>Profit after financial items</b>	<b>-7.4</b>	<b>-6.0</b>	<b>115.0</b>	<b>26.3</b>	<b>111.5</b>	<b>22.8</b>
Group contributions received	-	-	-	-	166	166.0
Tax	-	-	-	-	-31.5	-31.5
<b>Net profit</b>	<b>-7.4</b>	<b>-6.0</b>	<b>115.0</b>	<b>26.3</b>	<b>246.0</b>	<b>157.3</b>

## BALANCE SHEET

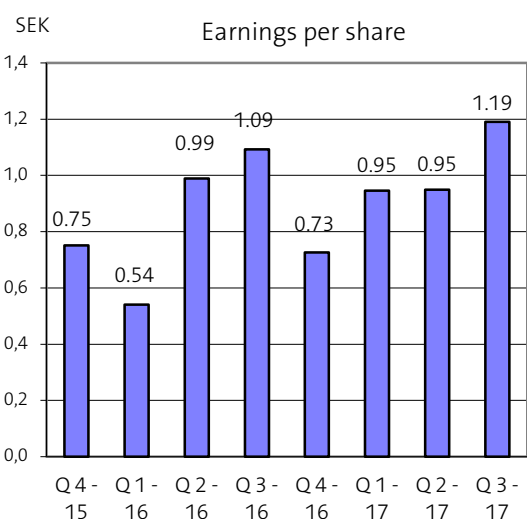
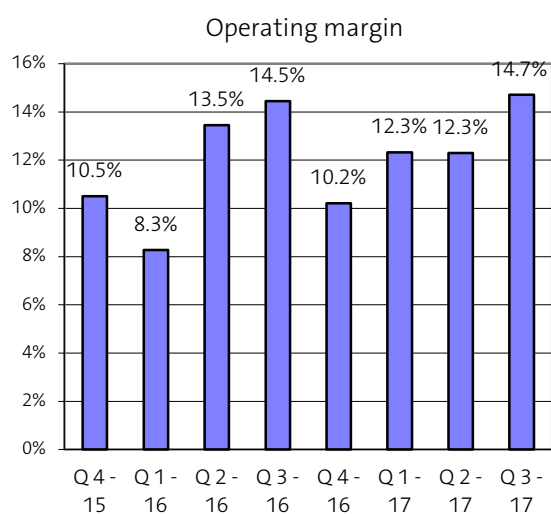
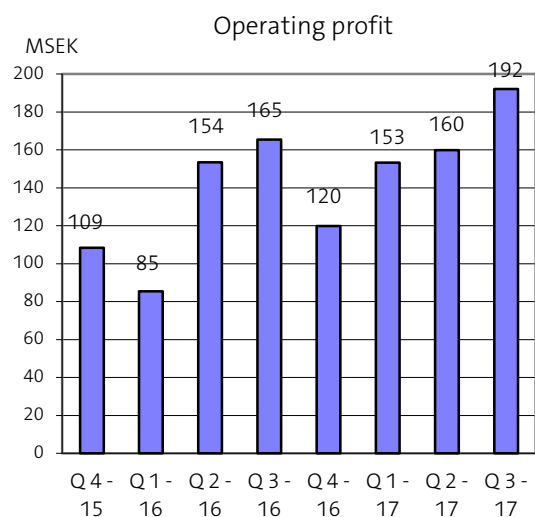
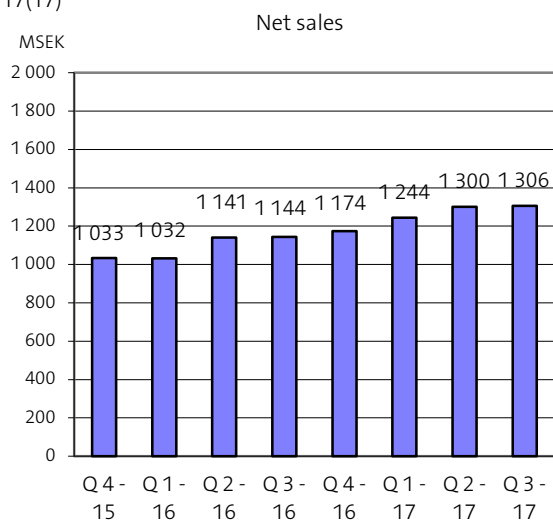
	30 Sep 2017	30 Sep 2016	31 Dec 2016
Financial fixed assets	3 129.4	2 566.9	2 530.2
Other non-interest-bearing current assets	44.7	60.6	52.9
Cash and bank balances	242.6	90.7	184.8
<b>Total assets</b>	<b>3 416.7</b>	<b>2 718.2</b>	<b>2 767.9</b>
Equity	514.3	437.5	569.2
Untaxed reserves	8.6	8.6	8.6
Long-term interest-bearing liabilities	2 589.3	2 051.8	1 742.3
Long-term non-interest-bearing liabilities	1.7	1.7	1.7
Short-term interest-bearing liabilities	298.8	206.3	419.0
Short-term non-interest-bearing liabilities	4.0	12.3	27.1
<b>Total equity and liabilities</b>	<b>3 416.7</b>	<b>2 718.2</b>	<b>2 767.9</b>

## CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Equity at 1 January 2016</b>	<b>65.5</b>	<b>159.4</b>	<b>317.8</b>	<b>542.7</b>
Performance share program			1.7	1.7
Net profit for the period			157.3	157.3
Dividend paid, SEK 3.50 per share			-132.5	-132.5
<b>Equity at 31 December 2016</b>	<b>65.5</b>	<b>159.4</b>	<b>344.3</b>	<b>569.2</b>
Performance share plan			1.5	1.5
Dividend paid, SEK 4.50 per share			-171.4	-171.4
Net profit for the period			115.0	115.0
<b>Equity at 30 September 2017</b>	<b>65.5</b>	<b>159.4</b>	<b>289.4</b>	<b>514.3</b>



17(17)



## KEY RATIOS AND DATA PER SHARE

	2013	2014	2015	2016	2016/17 Oct-Sep 12 months
Net sales, MSEK	3 095	3 736	3 909	4 491	5 024
Operating profit, MSEK	278	379	396	524	625
Profit after financial items, MSEK	247	348	377	515	595
Earnings per share, SEK	1.61	2.30	2.54	3.35	3.81
Sales growth, %	0.3	20.7	4.6	14.9	15.5
Growth in operating profit, %	10.3	36.5	4.6	32.4	22.0
Growth in profit after financial items, %	15.5	40.9	8.4	36.5	19.0
Operating margin, %	9.0	10.1	10.1	11.7	12.4
Net debt/EBITDA ratio	2.4	2.2	1.9	1.9	2.5
Equity/assets ratio, %	37	38	38	34	30
Capital employed, MSEK	2 163	2 723	2 846	3 581	4 485
Return on capital employed, %	13.3	15.6	14.4	16.8	15.9
Return on equity, %	18.7	22.1	20.9	24.9	26.1
Net debt, MSEK	885	1 040	937	1 222	1 957
Net investment in non-current assets, MSEK	65	110	118	169	153
Depreciation/amortisation of non-current assets, MSEK	89	95	107	121	145
Number of employees	2 204	2 370	2 451	2 787	3 001