Fagerhult Group

Year-end report January-December 2020

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The fourth quarter

1,537

Order intake, MSEK
Order intake was MSEK 1,537 (1,926), a decline of -20.2% adjusted to -15.1% for currency effects of MSEK -91 and disposals of MSEK -9

1,701

Net sales, MSEK
Net sales were MSEK 1,701 (2,129), a decline of -20.1% adjusted to -14.8% for currency effects of MSEK -91 and disposals of MSEK -26

134

Adjusted operating profit[1], MSEK
Adjusted operating profit was MSEK 133.7 (206.8), a decrease of 35.3% with an adjusted operating margin of 7.9 (9.7)%

101

Operating profit, MSEK
Operating profit was MSEK 101.4 (206.8), a decrease of 51.0% with an operating margin of 6.0 (9.7)%

485

Net profit, MSEK
Earnings after tax were MSEK 485.1 (126.2)

2.75

Earnings per share, SEK
Earnings per share were SEK 2.75 (0.71)

431

Operating cash flow, MSEK
Cash flow from operating activities was MSEK 431.1 (379.3)

The market activity level in the fourth quarter continued to be affected by Covid-19, however the second wave of the pandemic has not caused further decline, it has simply slowed the recovery. The Q4 comparable order intake was at the same level as Q3, the Group and our customers have learned to work under the new conditions and with new tools.

The Group continues to handle the situation well, all operations remain stable. We are well prepared for the future and we continue to see some signs of recovery.

Order intake at 1,537 (1,926) MSEK was -15.1% organically adverse, the same level as for Q3 and compares to -24,0% in Q2. The order backlog at the end of the quarter was 1,301 MSEK compared to 1,218 MSEK a year ago.

Net sales at 1,701 (2,129) MSEK were -14.8% organically adverse, and were ahead of expectations and Q3.

The press release on 30 October confirmed that the Group had completed its exit from the South African market. In addition to what was reported in Q3, the disposal generated additional costs and write downs of 32.3 MSEK, refer to page 10.

The operating profit of 101.4 MSEK is adjusted by 32.3 MSEK for items related to Lighting Innovations and results in an adjusted operating profit[1] of 133.7 MSEK.

The adjusted operating profit[1] of 133.7 (206.8) MSEK delivers an operating margin of 7.9 (9.7)%. There were comparable cost savings of 127.7 MSEK, 18.8 MSEK of government subsidy income and the operating profit was charged with 31.6 MSEK of redundancy costs. During the quarter there was a 41.2 MSEK reversed earnout provision.

Operating cash flow remains strongly positive at 431.1 (379.3) MSEK and financial items were 27.1 (31.3) MSEK including 1.8 (7.4) MSEK for IFRS16.

As a result of new Italian tax legislation the tax charge is a credit of 410.8 (expense 49.3) MSEK. The new legislation affects the accounting for intangible assets and the treatment of deferred tax. The 410.8 MSEK credit includes a credit of 436.3 MSEK. The underlying tax charge is 25.5 (49.3) MSEK. For further details refer to the note on page 12.

The dividend proposed of 0.50 SEK per share and with 176.1 million shares results in a total distribution of 88.1 MSEK. This will be proposed at the AGM on 29 April.

[1] - As a result of the divestment of the Lighting Innovations Africa (pty) Ltd and the closing of the segment Lighting Innovations, an adjusted operating profit is reported which excludes the costs for this divestment. The adjusted operating profit provides a more accurate picture of the profitability of the existing operations, refer to note 2 on page 21 for further details.

CEO comments

- The quarter was ahead of expectations for net sales and adjusted operating profit and I am very pleased with the cash flow result being 1,1 BSEK for the year.
- The Group's culture and values have helped us navigate our way through the Covid-19 challenge and all Group members have responded well to this with a fighting spirit. This spirit, combined with our decentralised structure, where we are close to our customers has helped us significantly.
- The strategic alignment process made further progress during the quarter with clearer growth strategies and collaboration opportunities being progressed.
- Today we are financially healthier than a year ago and this ongoing work will ensure we emerge even stronger from the pandemic. Since the end of Q1 we have reduced net debt by over 1 BSEK and delivered cost savings in excess of 16%.
- In the year we report a 79% increase in demand for our connected lighting solution Organic Response.
- Our focus on sustainability gathers pace and we have outlined the internal working process to safeguard that sustainability is in the core of all brands and that it becomes an integral part of our business and culture. Further, our commitment is demonstrated by the appointment in the quarter of a Group level Sustainability Officer.
- Two recent examples of sustainability achievements are; Whitecroft winning the UK National 'Make UK' award for energy and sustainability and iGuzzini winning a prestigious EcoVadis award for sustainability best practice in the sector.

"Our promise to become stronger is delivered, now we maintain the strength and pursue growth opportunities."

Bodil Sonesson, CEO and President

January-December

7,002

Order intake, MSEK
Order intake was MSEK 7,002 (7,752), a decline of -9.7% adjusted to -12.3% for acquisitions/disposals of MSEK 439 (-100) and currency effects of MSEK -151

6,816

Net sales, MSEK
Net sales were MSEK 6,816 (7,845), a decline of -13.1% adjusted to -14.3% for acquisitions/disposals of MSEK 318 (-105) and currency effects of MSEK -134

442

Adjusted operating profit[1], MSEK
Adjusted operating profit was MSEK 442.1 (794.8) a 44.4% decrease with an adjusted operating margin of 6.5 (10.1)%

333

Operating profit, MSEK
Operating profit was MSEK 332.5 (794.8) a 58.1% decrease with an operating margin of 4.9 (10.1)%

572

Net profit, MSEK
Earnings after tax were MSEK 572.4 (514.8)

3.21

Earnings per share, SEK
Earnings per share were SEK 3.21 (3.32)

1,138

Operating cash flow, MSEK
Cash flow from operating activities was MSEK 1,137.9 (1,007.9)

During the second half of the year the Group continued to deal well with the Covid-19 pandemic and also completed the exit from South Africa.

From a market perspective we see varied levels of activity depending upon geography or application area. The more global the operation the more significant the impact. In application areas, we see traditional retail is negatively affected whereas in e-commerce, horticulture and healthcare we delivered growth.

The Group's businesses have also taken the necessary actions to prepare for the future where we see uncertainty in the shape and speed of the recovery. The strategic alignment process gathers momentum and will ensure we address the recovery from a stronger position with focussed opportunities for growth.

The Group's order intake of 7,002 (7,752) MSEK shows a -9.7% decrease and on a comparable basis a decrease of -12.3% when adjusting for acquisitions/disposals (439 (100) MSEK) and currency effects (-151 MSEK).

The Group's net sales of 6,816 (7,845) MSEK show a -13.1% decline, increasing to -14.3% when adjusting for acquisitions/disposals (318 (105) MSEK) and currency effects (-134 MSEK).

The Group's operating profit of 332.5 MSEK is adjusted[1] to 442.1 (794.8) MSEK for 109.6 MSEK one-off costs and write downs in South Africa, refer to page 10.

During Q2, Q3 & Q4 comparable cost savings of 300.8 MSEK have been delivered and government subsidy income, before provision for contingent subsidies was 87.5 MSEK. For the full year redundancy costs of 52.0 MSEK have been charged to operating profit and during the final quarter there was a 41.2 MSEK reversed earnout provision.

Operating cash flows improved to 1,137.9 (1,007.9) MSEK mainly as a result in a working capital reduction of 490.9 (156.9) MSEK.

Financial items of 115.8 (99.1) MSEK include 24.9 (22.0) MSEK for IFRS16, a 6.8 MSEK decrease in net interest costs and a 20.6 MSEK increase in FX losses etc.

As a result of new Italian tax legislation the tax charge in the year is a credit of 355.7 (expense 180.9) MSEK. The new legislation affects the accounting for intangible assets and the treatment of deferred tax. The 355.7 MSEK credit includes a credit of 436,3 MSEK. The underlying tax charge is 80.6 (180.9) MSEK. For further details see the note on page 12.

[1] - As a result of the divestment of the Lighting Innovations Africa (pty) Ltd and the closing of the segment Lighting Innovations, an adjusted operating profit is reported which excludes the costs for this divestment. The adjusted operating profit provides a more accurate picture of the profitability of the existing operations, refer to note 2 on page 21 for further details.

Impacts of Covid-19

The Group's Response

The Group continues to address the Covid-19 pandemic in a professional way, resulting in a continued stable operation. The current second wave of the pandemic encourages the Group to remain diligent and resilient.

- The Group continues to follow the regulations of local authorities and national governments.
- The Group continues to take measures for the protection of employees and stakeholders.
- The Group has established Crisis Teams at Group level and across subsidiary entities.
- The Group has, where practically possible moved to a split-shift operation and home office set-up.
- The Group has established a regular Group wide communication process.
- The Group remains in close dialogue with its suppliers in order to continue to provide service to customers.
- The Group is in regular and transparent dialogue with its lenders.
- The Group has implemented new and improved processes to focus on short-medium-long term financial planning.
- The Group has expanded the use of digitalisation to engage with employees, customers and suppliers.

Qualitative Impacts

- During the fourth quarter, all factories have remained open and continue to do so.
- All factories continue to function with 100% capability, but due to social distancing measures with reduced capacity.
- The Group has had many of its sales offices closed with the employees working from home, some continue this way.
- In some markets we continue to see project volatility when it comes to site deliveries.
- In some regions we see a negative impact on the market activity which affects the level of order intake.
- We see some disruption in the supply chain with longer lead times and temporary shortages of some components.
- The continued uncertainty of the pandemic conditions creates a difficult position to forecast future performance.

Quantitative Financial Impacts

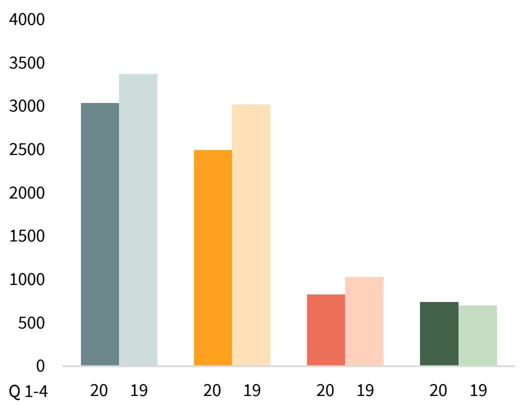
- The decline in market activity results in reduced order intake, with the -24% in Q2 improving to -15% in Q3 and Q4.
- The Group continues to take actions to reduce its cost base.
- In the third and fourth quarters several entities took actions to reduce numbers employed.
- Strategic cost reviews are also continuing to taking place which will benefit the organisation in 2021 and beyond.
- In Q2 selling and admin. expenses reduced 86 MSEK, in Q3 87 MSEK and in Q4 128 MSEK.
- The stable operation of the Group combined with the reduction in net debt resulted in an easing of the capital investment suspension and the effect is a reduction of 59.1 MSEK in investments compared to 2019.
- For Q4 the income from government subsidies is 18.8 MSEK, for the year to date this is 87.5 MSEK (67.5 MSEK after provisions) in 33 entities.
- We report an improved liquidity position which positively improved our covenant position for each quarter.
- The Group increases its cash and undrawn credit facilities from 2,160 MSEK at 31 Mar to 2,709 MSEK at 31 Dec.
- The Group has increased its provision for accounts receivable credit losses and contingent subsidies by 31 MSEK.
- The original dividend proposal of 1.50 SEK/share was not proposed to the AGM on 23 June.
- See page 12 for the note on the new Italian tax legislation, the net effect is a credit to the tax charge of 436.3 MSEK

Business areas

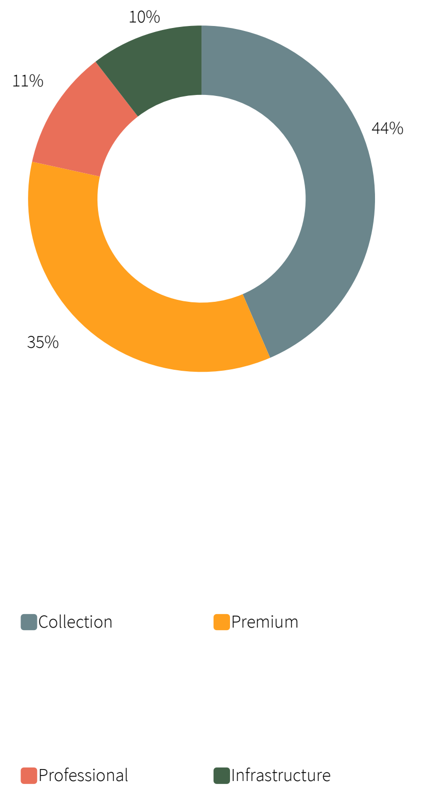
Net sales and operating profit by business area

	Net sales				Operating profit				Operating margin %			
	Q4		Q1-4		Q4		Q1-4		Q4		Q1-4	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Collection	753.2	1,026.8	3,040.2	3,375.9	-9.1	80.7	98.2	286.5	-	7.9	3.2	8.5
Premium	642.7	750.4	2,495.6	3,022.8	75.7	97.3	240.1	365.3	11.8	13.0	9.6	12.1
Professional	196.6	252.9	824.3	1,028.5	6.2	24.1	30.1	97.0	3.2	9.5	3.7	9.4
Infrastructure	185.6	173.5	740.3	699.5	65.1	18.3	139.4	100.7	35.1	10.5	18.8	14.4
Lighting Innovations	-0.2	25.9	29.0	105.4	-34.7	-3.4	-129.2	-7.0	-	-	-	-
Eliminations	-77.3	-100.2	-313.1	-387.2	-	-	-	-	-	-	-	-
Results by business area	**1,700.6**	**2,129.3**	**6,816.3**	**7,844.9**	**103.2**	**217.0**	**378.6**	**842.5**	**6.1**	**10.2**	**5.6**	**10.7**
IFRS 16	-	-	-	-	5.8	1.4	12.7	6.3	-	-	-	-
Unallocated cost	-	-	-	-	-7.6	-11.6	-58.8	-54.0	-	-	-	-
Operating profit	**-**	**-**	**-**	**-**	**101.4**	**206.8**	**332.5**	**794.8**	**6.0**	**9.7**	**4.9**	**10.1**
Financial items	-	-	-	-	-27.1	-31.3	-115.8	-99.1	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**74.3**	**175.5**	**216.7**	**695.7**	**-**	**-**	**-**	**-**

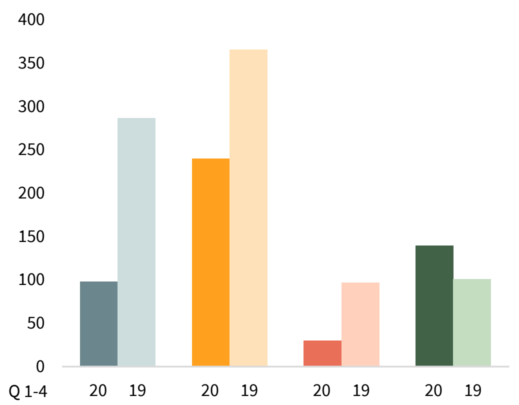
Net sales per business area, MSEK



Sales share per business area, %



Operating profit per business area, MSEK



Collection

Collection is home to our brands with a global market footprint. All have an international product portfolio and are well-renowned in the lighting designer and architect communities globally. They offer a wide product range with a focus on indoor and outdoor architectural applications.

Brands included are; ateljé Lyktan, iGuzzini, LED Linear and WE-EF with product development and manufacturing facilities in Sweden, Italy, Canada, China, Germany and Thailand. The business area also includes all sales companies for iGuzzini, LED Linear and WE-EF.

From their global network, the collaboration opportunities for future growth remain strong across the four businesses and we have chosen to focus on 4 strategic projects where early progress is being made.

The Covid-19 condition continues to have a negative effect on order intake and total revenue, particularly in the global businesses.

Business area order intake for the year of 2,998 (3,242) MSEK shows an organic decline of -18.6% which compares to -18.3% at the half year. The second half year order intake has been steady and declines no further. Net sales for the year were 3,040 (3,376) MSEK, a decrease organically of -17.2%.

Operating profits for the year reduced 65.7% to 98.2 (286.5) MSEK. Besides the decline in net sales, the contributing factors were the poor first quarter result, a challenging comparable third quarter (2019 very strong) and 52.6 MSEK redundancy provisions and other write downs during the year.

Within the recently acquired entities the new leadership teams transition the businesses from family owned to become members of the Group. The businesses have a clear focus for 2021, an increased order backlog position compared to last year and a reduced cost base.

753

Net sales, MSEK

-9

Operating profit, MSEK

-

Operating margin, %

Collection	Q4, 2020	Q4, 2019	Q1-4, 2020	Q1-4, 2019
Net sales	753.2	1,026.8	3,040.2	3,375.9
(of which, intercompany sales)	*(20.8)*	*(24.7)*	*(85.5)*	*(100.0)*
Operating profit	-9.1	80.7	98.2	286.5
Operating margin, %	-	7.9	3.2	8.5
Sales growth, %	-26.6	-	-9.9	-
Sales growth, adjusted for exchange rate differences , %	-22.8	-	-8.6	-
Growth in operating profit, %	-111.3	-	-65.7	-

Premium

Premium focuses on the European market and European-based global customers. Our Premium brands work closely with specifiers and partners to deliver premium projects, often with bespoke solutions for the customer. The majority of sales are related to indoor applications and there is also an outdoor offering for specific markets.

Brands included are; Fagerhult and LTS with product development and manufacturing facilities in Sweden, Germany and China. The business area also includes all Fagerhult sales companies (except New Zealand) and the Organic Response Technologies business in Australia and Sweden.

For the Premium business area there are several significant European growth opportunities where we see some encouraging signs of early progress. The market penetration of our wireless lighting controls solution, Organic Response develops well and during 2020 sold units grew 79% compared to 2019.

Business area order intake for the year of 2,405 (2,866) MSEK results in an organic decline of -14.5%. This is an improved position from mid-Q3 where the comparable decline was -18,1%. Net sales for the year were 2,496 (3,023) MSEK, a decrease organically of -16.0%.

Operating profits declined to 240.1 MSEK from 365.3 MSEK in 2019 with the main cause being reduced level of activity caused by Covid-19. The headcount redundancy programmes in the business area were completed during Q4.

The business area has responded well to the challenges of Covid-19 with profitability levels making good progress during the second half year and recovering well. The business area carries forward a healthy order backlog and a reduced cost base into 2021.

643

Net sales, MSEK

76

Operating profit, MSEK

11.8

Operating margin, %

FAGERHULT

LTS
LOVE TO SHINE

Premium	**Q4, 2020**	**Q4, 2019**	**Q1-4, 2020**	**Q1-4, 2019**
Net sales	642.7	750.4	2,495.6	3,022.8
(of which, intercompany sales)	*(30.3)*	*(44.0)*	*(127.0)*	*(152.3)*
Operating profit	75.7	97.3	240.1	365.3
Operating margin, %	11.8	13.0	9.6	12.1
Sales growth, %	-14.4	-	-17.4	-
Sales growth, adjusted for exchange rate differences , %	-10.9	-	-16.0	-
Growth in operating profit, %	-22.2	-	-34.3	-

Professional

Refer to the segment reporting note on page 11 for the changes in the Professional Business Area. In summary, Lighting Innovations has been removed from this business area and is separately reported.

Professional focuses mainly on indoor applications for local and neighbouring markets. The brands work closely together with local partners on project specifications to deliver full and complete solutions. Local production and product development allows for tailored solutions with bespoke products delivered within short lead times.

Brands included are; Arlight, Eagle Lighting and Whitecroft, with product development and manufacturing facilities in Turkey, Australia and the UK. The sales company in New Zealand is consolidated in this business area.

For the Professional business area, the opportunities for collaboration, knowledge sharing as well as jointly funded investments in these similar businesses are good.

The business area order intake for the year of 848 (871) MSEK, shows an organic growth of +1.8% after adjusting for 39 MSEK of currency headwinds.

Net sales for the year were 824 (1,029) MSEK, a decrease organically of -15.9%. Net sales have reduced in all businesses as the market activity remains impacted by Covid-19 but we see an improved order intake towards the end of the year.

Operating profits declined 69.0% to 30.1 (98.0) MSEK in the year.

In the full year there were 21.7 MSEK of redundancy costs and one-off write downs affecting the result which reduced the 6.3% underlying operating margin to 3.7% as stated below.

With a lower cost base and an order backlog at 20% above a year ago the business area should deliver an increased operating margin during the year.

197

Net sales, MSEK

6

Operating profit, MSEK

3.2

Operating margin, %

Professional	Q4, 2020	Q4, 2019	Q1-4, 2020	Q1-4, 2019
Net sales	196.6	252.9	824.3	1,028.5
(of which, intercompany sales)	*(15.0)*	*(25.4)*	*(70.8)*	*(88.0)*
Operating profit	6.2	24.1	30.1	97.0
Operating margin, %	3.2	9.5	3.7	9.4
Sales growth, %	-22.3	-	-19.9	-
Sales growth, adjusted for exchange rate differences , %	-13.2	-	-15.9	-
Growth in operating profit, %	-74.3	-	-69.0	-

Infrastructure

Infrastructure provides lighting solutions for environments with specific requirements for installation, durability and robustness. The companies are world-leading in their areas and highly experienced in finding the best solutions for every project and customer. The majority of their sales are within Europe with some global installations.

Brands included are; Designplan Lighting, i-Valo and Veko, with product development and manufacturing facilities in UK, Finland and the Netherlands.

We see a significant growth opportunity for the business area in many European markets, particularly in the Nordics, Germany and the UK.

The business area order intake for the year of 730 (673) MSEK delivers +9.7% organical growth compared to 2019. Net sales for the year were 740 (700) MSEK, an organic growth of 7.1%.

Net sales continue to be strong in the industrial and warehousing segment serviced by Veko with significant projects recently secured in the e-commerce segment and in the developing horticulture segment. The order backlog is 26% higher than a year ago.

Operating profits increased to 139.4 MSEK from 100.7 MSEK and the operating margin is healthy at 18.8 (14.4)%.

In the fourth quarter there was a 41.2 MSEK release of a provision relating to the Veko earn-out.

Infrastructure	Q4, 2020	Q4, 2019	Q1-4, 2020	Q1-4, 2019
Net sales	185.6	173.5	740.3	699.5
(of which, intercompany sales)	*(11.2)*	*(6.0)*	*(29.8)*	*(46.9)*
Operating profit	65.1	18.3	139.4	100.7
Operating margin, %	35.1	10.5	18.8	14.4
Sales growth, %	7.0	-	5.8	-
Sales growth, adjusted for exchange rate differences , %	11.8	-	7.1	-
Growth in operating profit, %	255.7	-	38.4	-

186

Net sales, MSEK

65

Operating profit, MSEK

35.1

Operating margin, %

Lighting Innovations, South Africa

As press released on 7 August and 30 October the Fagerhult Group has completed its disposal of Lighting Innovations and the exit from South Africa. The entity has been increasingly loss making in recent years and the South African market continues not to develop as expected.

In the table on page 5 the business area labelled as ‘Lighting Innovations’ records a total loss for the year of 129.2 MSEK which comprises one-off costs and write down of assets of 109.6 MSEK and trading losses of 19.6 MSEK.

The process is complete.

Post balance sheet event, Commtech Commissioning Services SA (Commtech)

On the 28 January 2021 Fagerhult completed the transaction to sell 100% of the shares in Commtech to Aire Limpio S.L., a Spanish company based in Madrid. It had previously been decided that Commtech’s core business of site based commissioning services was strategically not core to the Fagerhult Group. In 2020 Commtech had net sales of 28 MSEK and employed 35 people.

The sales price was 12,0 MSEK and a profit on disposal of 1.2 MSEK was generated. The transaction had an 8,3 MSEK positive effect on cash balances.

In addition to the purchased price it has been agreed that the 2021 operating profits will be shared equally between Commtech and Fagerhult. This has not been recorded in the above financials.

The transaction was not considered material to issue a separate press release

Financial position

The Group’s equity/assets ratio at the end of the reporting period was 47.3 (42.0)%. Cash and bank balances at the end of the period were 1,624 (1,134) MSEK and consolidated equity was 5,803 (5,501) MSEK.

The 130 MSEK improvement in operating cash flow for the year from 1,008 MSEK to 1,138 MSEK results from a 491 (157) MSEK reduction in working capital.

The net debt at the end of the period is 2,812 (3,737) MSEK and the reduction comes from operational cash flows. In the first quarter, 105 MSEK of earn-out payments were made for an earlier acquisition.

Included within the net debt is 785 (928) MSEK relating to IFRS16 accounting. At the end of the quarter the Group has 2,709 MSEK of liquidity in the form of undrawn credit facilities and cash balances.

Pledged assets and contingent liabilities amounted to SEK 17.7 million (18.3) and SEK 6.5 million (4.1) respectively.

Investments

The Group’s net investments in non-current assets was 184 (243) MSEK. The figure does not include investments in subsidiaries, which were 113 (2,672) MSEK.

Employees

The average number of employees during the year was 4,419 (4,465).

Parent company

AB Fagerhult’s operations comprise Group Management, financing and business development activities. The profit after financial items was 80.9 (144.0) MSEK. During the fourth quarter the receivable due from Lighting Innovations 107.3 MSEK was written down in full. This only affects the parent company, not the Group. The number of employees during the period was 8 (7).

Dividend

The Board intends to propose that the Annual General Meeting approve a dividend of SEK 0.50 per share. This is based on 176.1 million shares.

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 1-21 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 2019 except for the segment reporting. See further details below.

Income from government support as a result of Covid-19 are included in Other operating income in the income statement.

Segment reporting

As press released on 7 August and 30 October, the Fagerhult Group has completed the disposal of its South African business Lighting Innovations. As a consequence, Fagerhult made changes in the structure of its internal organisation and segment reporting. The reporting entity Lighting Innovations Africa has been separated from the business area Professional and is reported as a separate segment Lighting Innovations.

Lighting Innovations does not meet the quantitative thresholds for reporting separate information according to IFRS 8 Segment reporting. However, Lighting Innovations is considered reportable and separately disclosed as Fagerhult believes that the information is useful and relevant to users.

The segment reporting now follows the new structure of the Fagerhult Group which is based on four the Business Areas; Collection, Premium, Professional and Infrastructure plus Lighting Innovations. IFRS 16 has not been applied in the segment reporting. The figures for 2020 as well as the comparable figures for 2019 have been restated and goodwill has been reallocated to the new segment Lighting Innovations.

Italian tax decree

During 2020, the Italian government introduced several programs/decrees to support the Italian economy and Italian companies from the negative impacts of Covid-19. In the decree resolved on 14 August 2020, the 'August Decree', reliefs and support are granted for several separate areas including corporate and tax measures.

Within the August Decree's area of tax measures, a revaluation of tangible or intangible assets or the realignment of accounts values and tax values of a certain assets is available. For Italian companies which accounts in accordance with IFRS, such aforementioned realignment is applicable. To qualify for the new measures, the accounting for 2019, 2020 should be complete and consistent plus a substitute tax of 3% of the realigned value amount is payable. The Italian general corporate tax rate is 27,7%. The substitute tax can be paid in three equal instalments during 2021-2023.

As a result of the new tax legislation, iGuzzini illuminazione S.p.A. ('iGuzzini') has decided to realign the book value with the tax value of its trademark 'iGuzzini' and for this to take place in the annual accounts for 2020. Prior to the realignment, the iGuzzini trademark had a book value in iGuzzini (and the Group) 1,661 MSEK with a deferred tax amounting to 488 MSEK which has been reversed in the income statement on the line income tax for 2020.

As a consequence of the realignment the corresponding amount coming out of the realignment is converted into the restricted equity reserve in iGuzzini's annual accounts for 2020. The fiscal depreciation time period for the amount converted into the restricted reserve is 18 years, with the first depreciation in 2021. This means that 27 MSEK will be made available and converted back into unrestricted reserve during each of the 18 years following 2020.

For iGuzzini (and the Group), the above decision entails an extraordinary tax charge of the substitute tax in the amount of 52 MSEK in the annual accounts for 2020 together with the deferred tax credit of 488 MSEK netting to 436 MSEK as reported above. Also, 1,661 MSEK is converted into the restricted reserve. The aforementioned tax allocation amount will affect iGuzzini's (and the Group's) results for 2020 with the corresponding amount. The substitute tax will be paid in the available three arrears and so the liquidity effect will be divided into three equal parts in June 2021, 2022 and 2023.

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 2019 Annual Report and the section on risks on the Group's website. In addition to the risks described in the company's Annual Report and the Covid-19 section of this report, no other significant risks are considered to have arisen.

Nomination committee

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 (co-opted and not entitled to vote), Johan Hjertonsson representing Investment AB Latour, Johan Ståhl representing Lannebo Fonder, Jan Särlvik representing Nordea Funds and Jannis Kitsakis representing The Fourth Swedish National Pension Fund (AP4).

Questions regarding the nomination committee shall be addressed to the Group's CFO Michael Wood, michael.wood@fagerhultgroup.com

Repurchase of shares

The Annual General Meeting held on 23 June 2020 authorised the Board to decide to acquire the company's own shares. No acquisitions of the company's own shares have been made. The company's holding of treasury shares totals 1,046,064.

Strategy and Outlook for 2021

As the Group learns to work under the new conditions and with new digital tools, we continue to report a more stable operational situation. Uncertainties continue to exist in the market as the pandemic continues to present a medical crisis and a growing economic impact. Consequently, we maintain our view not to provide further forward looking guidance for 2021 and beyond.

We have commented regarding a lower market activity level. The comparable order intake in Q3 and Q4 was almost 9% improved over the second quarter and we anticipate that order intake levels will be negatively affected for some time to come. Also, we comment regarding a reduced cost base which will provide a full year benefit in 2021. We base our forecasts and plan our business on a slow recovery.

The Group’s overall strategy and focus remains intact, to deliver high-quality professional lighting solutions to our customers within our 10 focus application areas. The new business area setup will strengthen collaboration and enable us to address focussed organic growth opportunities in the medium-to-longer term and bring benefits to our customers.

In addition, we continue to make good progress with connected solutions, which are an integral part of sustainable lighting solutions as it helps reduce energy consumption during the lifetime of the product. We will continue to grow in connected solutions during 2021 and beyond.

Habo, February 23rd 2021
AB Fagerhult (publ.) 556110-6203

Bodil Sonesson
President and CEO

An investor webcast following the Year-End Report 2020 will be held on 23 February 2021 at 15:30 CET.

A link to the webcast will be available on http://ir.fagerhultgroup.com
A Management presentation will also be published on http://ir.fagerhultgroup.com.

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

In 2021, interim reports will be submitted on 29 April, 23 August and 29 October.
The Annual General Meeting will be held on 29 April.

For more information contact:

Bodil Sonesson, CEO, +46 722 23 76 02

Michael Wood, CFO, +46 730 87 46 47

Group

Income statement

	2020 Q4 3 months	2019 Q4 3 months	2020 Q1-4 12 months	2019 Q1-4 12 months
Net sales	1,700.6	2,129.3	6,816.3	7,844.9
Cost of goods sold	-1,124.4	-1,296.1	-4,417.1	-4,794.6
Gross profit	**576.2**	**833.2**	**2,399.2**	**3,050.3**
Selling expenses	-376.3	-479.9	-1,536.2	-1,698.3
Administrative expenses	-141.0	-165.1	-614.7	-630.7
Other operating income	73.4	18.6	178.2	73.5
Other operating expenses	-30.9	-	-94.0	-
Operating profit	**101.4**	**206.8**	**332.5**	**794.8**
Financial items	-27.1	-31.3	-115.8	-99.1
Profit before tax	**74.3**	**175.5**	**216.7**	**695.7**
Tax	410.8	-49.3	355.7	-180.9
Net profit for the period	**485.1**	**126.2**	**572.4**	**514.8**
Net profit for the period attributable to shareholders of the Parent Company	484.9	124.9	565.7	508.4
Net profit for the period attributable to Non-controlling interests	0.2	1.3	6.7	6.4
Sum	**485.1**	**126.2**	**572.4**	**514.8**
Earnings per share, based on earnings attributable to shareholders of the parent during the year:				
Earnings per share before dilution, SEK	2.75	0.71	3.21	3.32
Earnings per share after dilution, SEK	2.75	0.71	3.21	3.32
Average number of outstanding shares before dilution, thousands	176,147	176,136	176,142	153,274
Average number of outstanding shares after dilution, thousands	176,147	176,136	176,142	153,274
Number of outstanding shares, thousands	176,147	176,136	176,147	176,136
STATEMENT OF COMPREHENSIVE INCOME				
Net profit for the period	**485.1**	**126.2**	**572.4**	**514.8**
Other comprehensive income				
Items which may not be reversed in the income statement:				
Revaluation of pension plans	3.6	-3.0	3.6	-7.2
Items which may be reversed in the income statement:				
Translation differences	-170.6	-146.9	-270.5	52.3
Other comprehensive income for the period, net after tax	**-167.0**	**-149.9**	**-266.9**	**45.1**
Total comprehensive income for the period	**318.1**	**-23.7**	**305.5**	**559.9**
Comprehensive income attributable to shareholders of the Parent Company	317.9	-25.0	299.9	553.5
Comprehensive income attributable to Non-controlling interests	0.2	1.3	5.6	6.4

Balance sheet

	31 Dec 2020	31 Dec 2019
Intangible assets	5,657.8	6,042.2
Tangible fixed assets	2,469.6	2,807.8
Financial assets	219.4	204.9
Inventories	997.7	1,247.1
Accounts receivable - trade	1,122.2	1,426.8
Other non-interest-bearing current assets	171.2	229.8
Cash and cash equivalents	1,624.0	1,133.5
Total assets	**12,261.9**	**13,092.1**
Equity	5,802.6	5,501.2
Long-term interest-bearing liabilities	4,254.5	4,648.2
Long-term non-interest-bearing liabilities	547.5	1,167.1
Short-term interest-bearing liabilities	181.0	222.1
Short-term non-interest-bearing liabilities	1,476.3	1,553.5
Total equity and liabilities	**12,261.9**	**13,092.1**

Cash flow statement

	2020 Q4 3 months	2019 Q4 3 months	2020 Q1-4 12 months	2019 Q1-4 12 months
Operating profit	**101.4**	**206.8**	**332.5**	**794.8**
Adjustments for non-cash items	97.2	195.6	488.5	389.2
Financial items	-16.1	-31.5	-67.4	-89.6
Tax paid	-23.1	-66.7	-106.6	-243.4
Funds contributed from operating activities	**159.4**	**304.2**	**647.0**	**851.0**
Change in working capital	271.7	75.1	490.9	156.9
Cash flow from operating activities	**431.1**	**379.3**	**1,137.9**	**1,007.9**
Cash flow from investing activities	-75.1	-46.2	-292.8	-2,904.9
Cash flow from financing activities	-173.5	-316.6	-268.9	2,193.5
Cash flow for the period	**182.5**	**16.5**	**576.2**	**296.5**
Cash and cash equivalents at beginning of period	1,491.3	1,134.8	1,133.5	808.4
Translation differences in cash and cash equivalents	-49.8	-17.8	-85.7	28.6
Cash and cash equivalents at end of period	**1,624.0**	**1,133.5**	**1,624.0**	**1,133.5**

Key ratios and data per share

	2020 Q4 3 Months	2019 Q4 3 Months	2020 Q1-4 12 months	2019 Q1-4 12 months
Sales growth, %	-20.1	43.1	-13.1	39.6
Growth in operating profit, %	-51.0	0.6	-58.2	12.6
Growth in profit before tax, %	-57.7	-10.1	-68.9	4.3
Operating margin, %	6.0	9.7	4.9	10.1
Profit margin, %	4.4	8.2	3.2	8.9
Cash liquidity, %	98.0	63.8	98.0	63.8
Net debt/EBITDA ratio	3.1	2.8	3.2	2.9
Equity/assets ratio, %	47.3	42.0	47.3	42.0
Capital employed, MSEK	10,238	10,372	10,238	10,372
Return on capital employed, %	4.2	9.2	3.5	10.8
Return on equity, %	33.4	9.2	10.1	13.5
Net debt, MSEK	2,812	3,737	2,812	3,737
Gross investment in non-current assets, MSEK	52.0	53.7	183.6	242.7
Net investment in non-current assets, MSEK	52.0	53.7	183.6	242.7
Depreciation/amortisation/impairment of non-current assets, MSEK	122.6	130.1	558.4	478.8
Number of employees	4,456	4,454	4,419	4,465
Equity per share, SEK	32.94	31.23	32.94	31.23
Number of outstanding shares, thousands	176,147	176,136	176,147	176,136

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**	**Retained earnings**	**Non-controlling interest**	**Total equity**
Equity at 1 January 2019	**65.5**	**205.0**	**-238.2**	**2,096.9**		**2,129.2**
Net profit for the period				508.4	6.4	514.8
Other comprehensive income			52.3	-7.2		45.1
Total comprehensive income for the period			52.3	501.2	6.4	559.9
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, after issue costs	28.3	2,169.4				2,197.7
Performance share plan				5.8		5.8
Dividend paid, SEK 2.00 per share				-251.5		-251.5
Equity at 31 December 2019	**100.2**	**3,194.6**	**-185.9**	**2,352.4**	**39.9**	**5,501.2**
Equity at 1 January 2020	**100.2**	**3,194.6**	**-185.9**	**2,352.4**	**39.9**	**5,501.2**
Net profit for the period				565.7	6.7	572.4
Other comprehensive income			-269.4	3.6	-1.1	-266.9
Total comprehensive income for the period			-269.4	569.3	5.6	305.5
Performance share plan				2.2		2.2
Change in non-controlling interest				1.0	-7.3	-6.3
Equity at 31 December 2020	**100.2**	**3,194.6**	**-455.3**	**2,924.9**	**38.2**	**5,802.6**

Parent company

Income statement

	2020 Q4 3 Months	2019 Q4 3 Months	2020 Q1-4 12 Months	2019 Q1-4 12 Months
Net sales	0.3	2.6	11.7	13.8
Administrative expenses	-9.8	-10.6	-59.5	-52.0
Other operating income	-	-0.2	-	-
Operating profit	**-9.5**	**-8.2**	**-47.8**	**-38.2**
Income from shares in subsidiaries	-107.3	62.0	117.3	143.8
Financial items	90.9	41.2	11.4	38.4
Profit before appropriations and tax	**-25.9**	**95.0**	**80.9**	**144.0**
Group contributions received	-	268.0	-	268.0
Tax	7.6	-57.8	7.6	-57.8
Net profit	**-18.3**	**305.2**	**88.5**	**354.2**

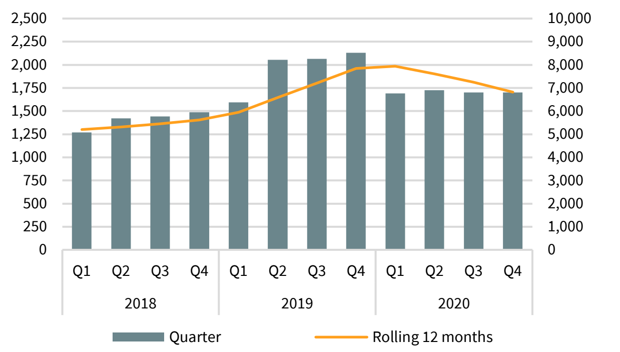
Balance sheet

	31 Dec 2020	31 Dec 2019
Financial assets	7,087.1	7,889.8
Other receivables	52.8	196.0
Cash & Bank	952.1	325.7
Total assets	**8,092.0**	**8,411.5**
Equity	3,913.7	3,824.1
Long-term interest bearing liabilities	3,210.3	3,423.9
Long-term non interest bearing liabilities	4.8	0.2
Short-term interest bearing liabilities	928.1	1,114.3
Short-term non interest bearing liabilities	35.1	49.0
Total Equity and Liabilities	**8,092.0**	**8,411.5**

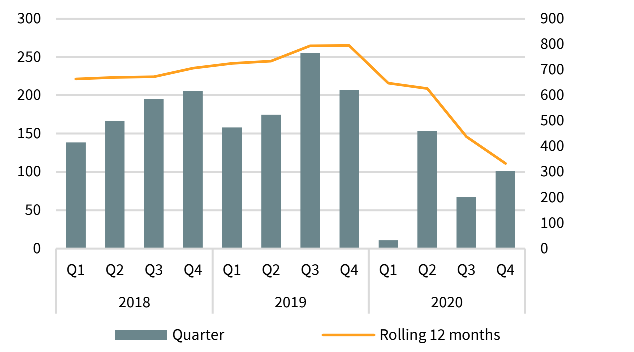
Changes in equity

	Share capital	Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2019	**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), net amount, after issue cost	28.3		2,169.4	2,197.7
Performance share program			3.1	3.1
Net profit for the period			354.2	354.2
Dividend paid, SEK 2.00 per share			-251.5	-251.5
Equity at 31 December 2019	**100.2**	**159.4**	**3,564.5**	**3,824.1**
Equity at 1 January 2020	**100.2**	**159.4**	**3,564.5**	**3,824.1**
Performance share plan			1.1	1.1
Net profit for the period			88.5	88.5
Equity at 31 December 2020	**100.2**	**159.4**	**3,654.1**	**3,913.7**

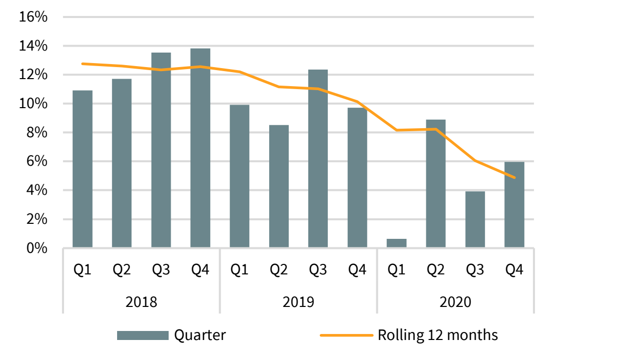
Net sales, MSEK



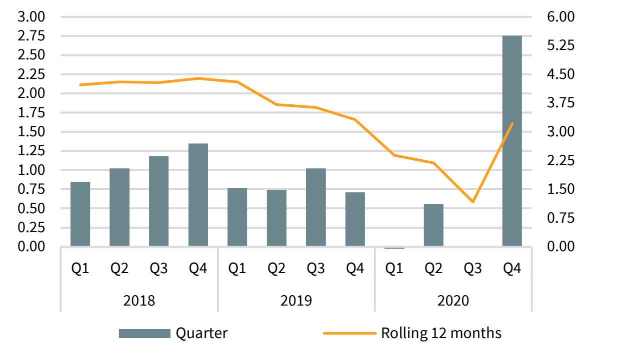
Operating profit, MSEK



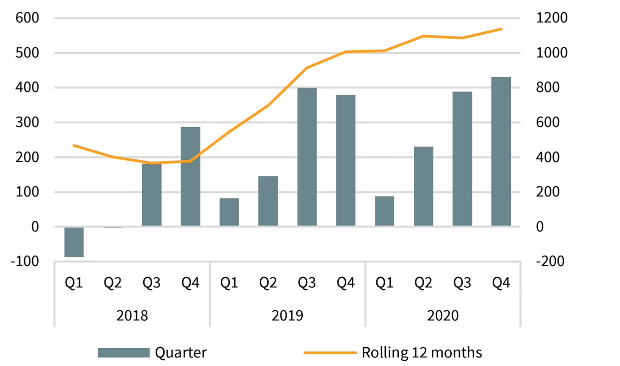
Operating margin, %



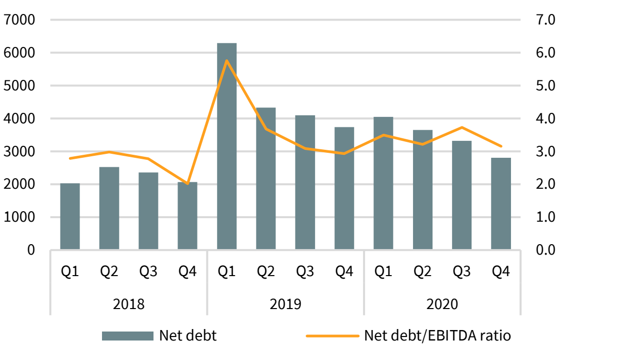
Earnings per share, SEK



Operating cashflow



Net debt and Net debt EBITDA ratio

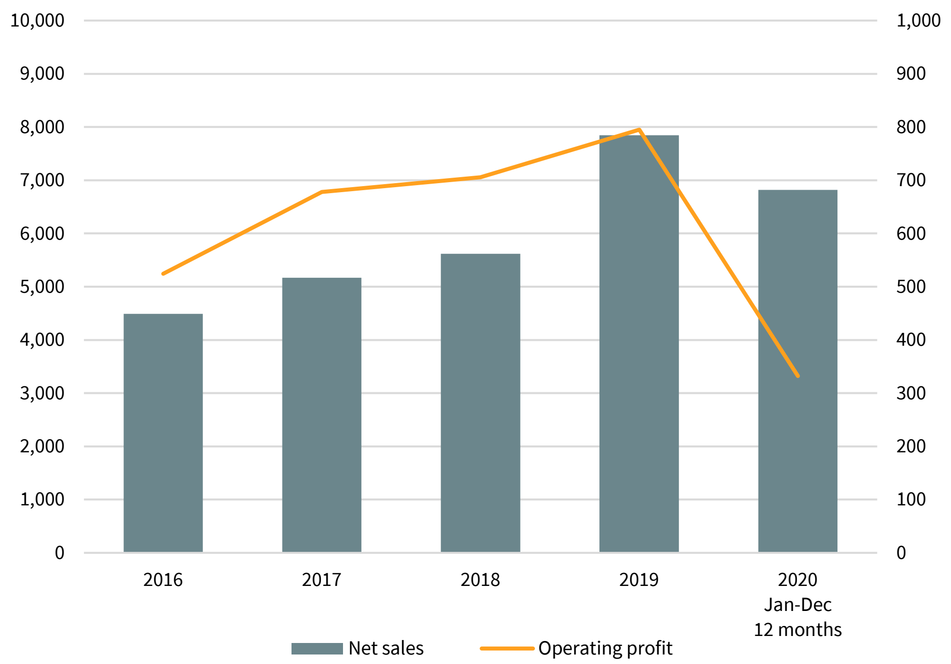


Key ratios and data per share

	2016	2017	2018	2019	2020 Jan-Dec 12 months
Net sales, MSEK	4,490.7	5,170.3	5,621.0	7,844.9	6,816.3
Operating profit, MSEK *	524.2	677.9	705.8	794.8	332.5
Profit before tax, MSEK *	514.7	652.5	666.7	695.7	216.7
Earnings per share, SEK *	3.35	4.32	4.39	3.32	3.21
Sales growth, % *	14.9	15.1	8.7	39.6	-13.1
Growth in operating profit, % *	32.4	29.3	4.1	12.6	-58.2
Growth in profit before tax, % *	36.5	26.8	2.2	4.3	-68.9
Operating margin, % *	11.7	13.1	12.6	10.1	4.9
Net debt/EBITDA ratio *	1.9	2.2	2.0	2.9	3.2
Equity/assets ratio, % *	33.8	31.0	32.2	42.0	47.3
Capital employed, MSEK *	3,581	4,670	5,010	10,372	10,238
Return on capital employed, % *	16.8	16.8	14.8	10.8	3.5
Return on equity, % *	24.9	28.1	25.0	13.5	10.1
Net debt, MSEK *	1,222	1,830	2,073	3,737	2,812
Net investment in non-current assets, MSEK *	169.0	177.1	123.3	242.7	183.6
Depreciation/amortisation/impairment of non-current assets, MSEK *	121.2	158.2	320.3	478.8	558.4
Number of employees	2,787	3,241	3,384	4,465	4,419

* Impacted by IFRS 16 from 2019-01-01

Net sales and operating profit, MSEK



Notes

Note 1 - IFRS 16 Leases

This note explains the effects in the Group's financial report when applying IFRS 16 Leases. In the balance sheet and income statement, IFRS 16 leases had the following impact:

IFRS 16 Balance sheet impact

	31 Dec 2020	31 Dec 2019
Tangible fixed assets	776.4	931.2
Financial assets	5.5	3.7
Other non-interest-bearing current assets	-15.7	-18.7
Equity	-18.3	-11.8
Long-term interest-bearing liabilities	651.1	779.7
Short-term interest-bearing liabilities	133.4	148.3

IFRS 16 Income statement impact

	2020 Q4 3 Months	2019 Q4 3 Months	2020 Q1-4 12 Months	2019 Q1-4 12 Months
Reversal of leasing costs under IAS 17	41.2	44.3	171.2	166.7
Depreciation	-38.8	-42.9	-161.9	-160.4
Operating profit	5.8	1.4	12.7	6.3
Profit before tax	4.0	-6.0	-12.2	-15.7
Net profit for the period	3.0	-4.5	-9.4	-11.8

Note 2 – Adjusted operating profit[1] - APM

As a result of the divestment of the Lighting Innovations Africa (pty) Ltd and the closing of the segment Lighting Innovations, an adjusted operating profit is reported which excludes the costs for this divestment.

Those costs which have been adjusted in determining the adjusted operating profit were the impairment of intangible assets (63.1 MSEK), the loss on disposal of in the subsidiary (31.3 MSEK) and other costs and write downs (15.2 MSEK, of which redundancy costs were 10.9 MSEK), totalling to 109.6 MSEK. The operating profit for the year of 332.5 MSEK is adjusted by 109.6 MSEK to determine the adjusted operating profit of 442.1 MSEK. This is shown in the table below.

Reconciliation of adjusted operating profit	**Q4, 2020**	**Q1-4, 2020**
Operating profit	101.4	332.5
Intangible assets impairment	-	63.1
Redundancy, other cost and write downs	1.0	15.2
Loss on disposal of subsidiary	31.3	31.3
Adjusted operating profit	**133.7**	**442.1**

The adjusted operating profit provides a more accurate picture of the profitability of the existing operations. The trading losses arising during the year in Lighting Innovations of 19.6 MSEK have not been adjusted.