FAGERHULT

INTERIM REPORT
JANUARY-SEPTEMBER 2019

Q3

The third quarter

The Group delivered a third quarter set of results which reports many improvements.

Although still negative, we see improvements in organic order intake and organic net sales both compared to Q1 and Q2. The Q3 deficit for net sales is reduced to -1.6% and the Q3 deficit for order income is reduced to -3.3%.

Further we record a healthy operating margin of 12.3 (13.5)% compared to the 9.1 (11.3)% at the half year. Operating cash flow at 400 (182) MSEK sets a new quarterly record.

Annualising the last two quarters, since the acquisition of iGuzzini, activity on order income establishes the Group at 8.5 BSEK.

The majority of the growth continues to be driven by the acquisition of iGuzzini and also good growth in Northern Europe (NE). We see a more stable situation in the UK & Ireland (UK&I) business area.

The performance improvement programme has delivered positive effects in Q3.

The 2,038 (1,441) MSEK overall order intake in Q3 was 41.4% ahead of last year and on a comparable basis was 3.3% adverse.

On a like for like basis, the business areas of NE and UK&I delivered +3.1% and +3.0% organic order income growth respectively, in the third quarter whereas W&SE and APAC delivered a -6.2% and -15.6% respectively.

Net sales for the quarter at 2,066 (1,441) MSEK showed an overall 43.4% increase and on a comparable basis was 1.6% adverse. The quarterly operating profit at 255.1 (195.0) MSEK shows a 30.8% increase and delivers an operating margin of 12.3 (13.5)%.

Despite lower organic net sales in the quarter, the comparable operating profit and operating margin was ahead of the results for Q3 2018, showing the positive impact of the performance improvement programme.

The operating cash flow in the quarter of 400.4 (181.7) MSEK results from; a 60 MSEK increase in operating profit, a 52 MSEK change in working capital and a 114 MSEK change in Adjustments for non-cash items, all items compared to Q3 2018.

The effects of IFRS 16 have been included in the results for Q3 2019. No historical adjustments have been made to the prior period results, refer to page 19 for details.

Q3

ORDER INTAKE, MSEK

2,038

Order intake was MSEK 2,038 (1,441), which is an overall increase of 41.4% adjusted to -3.3% for acquisitions of MSEK 619.8 and currency effects of MSEK 24.9

NET SALES, MSEK

2,066

Net sales were MSEK 2,066 (1,441), which is an overall increase of 43.4% adjusted to -1.6% for acquisitions of MSEK 614.6 and currency effects of MSEK 34.2

OPERATING PROFIT, MSEK

255

Operating profit was MSEK 255.1 (195.0) representing a 30.8% increase with an operating margin of 12.3 (13.5)%

NET PROFIT, MSEK

181

Earnings after tax were MSEK 181.1 (135.0), an increase of 34.1%

EARNINGS PER SHARE, SEK

1.02

Earnings per share were SEK 1.02 (1.18)

CASH FLOW FROM OPERATING ACTIVITIES, MSEK

400

Cash flow from operating activities was MSEK 400.4 (181.7)

CEO comments

- It is pleasing to see that the performance of the Group is improving.
- I am satisfied to see that the performance improvement programme starts to bring results. However, in some businesses there is still more to do as the results are slow to come.
- The involvement of our Italian colleagues continues to increase, the networks and relationships continue to build in a positive way.
- Organic growth remains the key focus for all workstreams, in the short and long term.
- The strategic review and alignment process continues, with the objective to build an even stronger Fagerhult Group.

January-September

During the year so far, market activity across the business areas has remained at a level consistent with that experienced during the later months of 2018, we do not see a further deterioration. Quarterly organic order intake levels have been -11.9% in Q4 2018, -13.1% in Q1 2019, -7.9% in Q2 and -3.3% in Q3. The year to date result is -8.1%.

The UK market remains Brexit affected. Although, as noted earlier we see an improved order intake position in the third quarter and we report a market which is flat at a lower level. In Europe generally the results from region to region (North, South & West) and country to country remain mixed with the NE region continuing to perform well on all measures. The APAC business area continues to face headwinds but as a result of the performance improvement programme, we report an improved Q3 result.

The Group's year to date order intake at 5,827 (4,401) MSEK shows an overall 32.4% increase with an 8.1% decrease when adjusted for acquisitions (1,691 MSEK) and currency effects (92 MSEK).

The Group's year to date net sales at 5,716 (4,133) MSEK shows an overall 38.3% increase with a 3.2% decrease when adjusted for acquisitions (1,602 MSEK) and currency effects (113 MSEK). The order backlog position remains healthy at 1,520 MSEK.

The operating profit of 588.0 (500.2) MSEK was enhanced in the third quarter by the improvement programme (second quarter absorbed the one-off costs). In the year to date, acquisitions have positively, and organic growth has negatively, affected the operating profit.

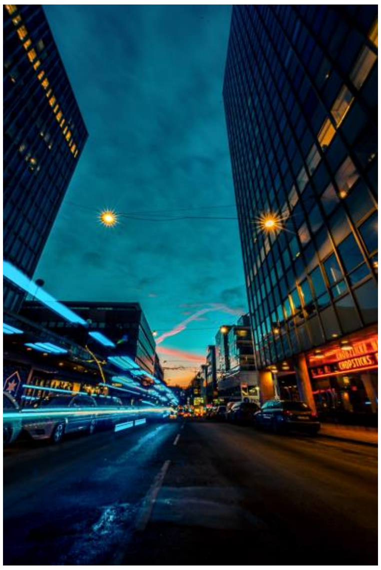
In the year to date, operating profit is negatively impacted by a total of 34.0 MSEK, being a combination of one-off M&A transaction costs (11,5), amortisation of iGuzzini intangible assets (14,0) and one-off costs related to the improvement programme (8.5).

Currency conversion on consolidation have positively affected net sales and operating profits by 112.6 (123.5) MSEK and 9.0 (8.5) MSEK respectively.

The operating margin in NE continues to grow, 15.0 (13.5)% year to date and as predicted in the Q2 report, the operating margin shows improvement in the third quarter in all other business areas.

Financial items were -67.8 (-28.7) MSEK with the 39.1 MSEK increase resulting from 17.2 MSEK increased long term debt interest charges and bridge-loan finance combined with 14.6 MSEK in accounting changes for IFRS 16. The balance of the increase is currency movement.

The tax expense for the period was 131.6 (122.6) MSEK, which results in a 25.3% (26.0%) tax rate



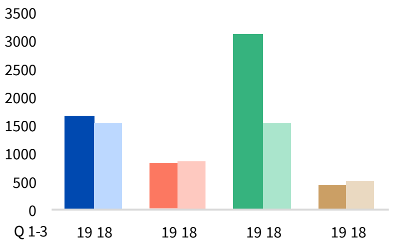
"The steady improvement is pleasing to report and we embrace the future."

Business areas

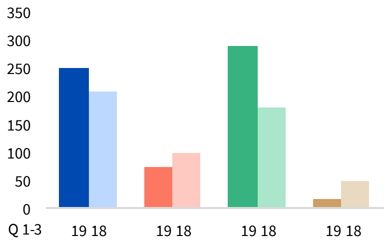
NET SALES AND OPERATING PROFIT BY BUSINESS AREA

	Net sales				Operating profit				Operating margin %			
	Q3		Q1-3		Q3		Q1-3		Q3		Q1-3	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Northern Europe	529.5	482.8	1,665.3	1,542.1	84.8	67.0	249.3	207.8	16.0	13.9	15.0	13.5
UK and Ireland	278.3	290.3	821.8	861.8	27.2	36.5	71.5	98.6	9.8	12.6	8.7	11.4
Western and Southern Europe	1,217.0	595.9	3,146.1	1,539.4	141.8	85.2	290.0	179.9	11.7	14.3	9.2	11.7
Africa, Asia and the Pacific	174.6	181.5	442.4	523.8	12.7	17.8	14.6	47.8	7.3	9.8	3.3	9.1
Other	-	-	-	-	-13.0	-11.5	-42.3	-33.9	-	-	-	-
IFRS 16	-	-	-	-	1.6	-	4.9	-	-	-	-	-
Eliminations	-133.5	-109.9	-360.0	-334.2	-	-	-	-	-	-	-	-
Total	**2,065.9**	**1,440.6**	**5,715.6**	**4,132.9**	**255.1**	**195.0**	**588.0**	**500.2**	**12.3**	**13.5**	**10.3**	**12.1**
Financial, unallocated items	-	-	-	-	-16.8	-8.7	-67.8	-28.7	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**238.3**	**186.3**	**520.2**	**471.5**	**-**	**-**	**-**	**-**

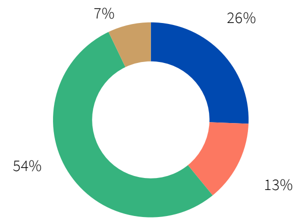
NET SALES PER BUSINESS AREA, MSEK



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, Poland 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.

The challenges in the global retail sector affect our three largest business areas with the largest impact being in NE. Despite this adverse impact this region continues to grow organically, almost +2% in the year to date and +3,1% in the current quarter.

Net sales for the year to date were 1,665.3 (1,542.1) MSEK showing strong growth of 8,0% which adjusts to 6.9% for currency effects. Net sales increased particularly well in Norway, Poland and Russia and grew strongly in Indoor and Outdoor in Sweden which overall is affected by the decline in Retail.

The operating profit for the year to date increased 20.0% to 249.3 (207,8) MSEK with the operating margin increasing from 13.5% to 15.0%.

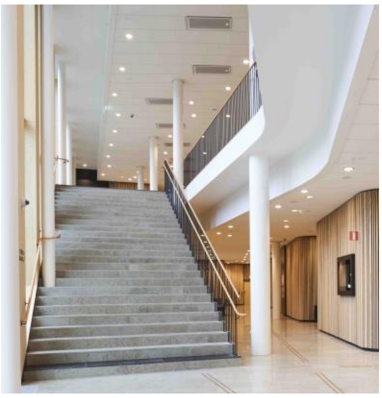
Q3
NET SALES, MSEK
529.5

OPERATING PROFIT, MSEK
84.8

OPERATING MARGIN, %
16.0

"Growth is strong in Indoor & Outdoor but the headwinds in Retail affect this success"

Northern Europe	Q3, 2019	Q3, 2018	Q1-3, 2019	Q1-3, 2018
Net sales	529.5	482.8	1,665.3	1,542.1
(of which, intercompany sales)	*(75.7)*	*(57.1)*	*(200.0)*	*(198.4)*
Operating profit	84.8	67.0	249.3	207.8
Operating margin, %	16.0	13.9	15.0	13.5
Sales growth, %	9.7	1.1	8.0	1.6
Sales growth, adjusted for exchange rate differences , %	8.8	-1.5	6.9	-0.0
Growth in operating profit, %	26.6	-2.3	20.0	6.7



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 year to date were 821.8 (861.8) MSEK which represents a 4.6% decline adjusted to -7.8% for the weaker SEK.

As noted above, the overall situation in the UK remains unchanged, the market is flat but steady. We are pleased to report a 3.0% organic order income growth in the third quarter, but with Brexit being on every agenda, news channel and discussion we are braced for a challenging last quarter.

The performance improvement programme actions have been taken and we see a return to almost a double digit operating margin in the third quarter compared to the 8.2% at the half year. The lower activity level will continue to affect profitability levels which remain adverse to last year.

The operating profit for the year to date was 71.5 (98.6) MSEK and the operating margin was 8.7 (11.4)%.

Q3
NET SALES, MSEK
278.3

OPERATING PROFIT, MSEK
27.2

OPERATING MARGIN, %
9.8

"Q3 organic order intake growth of 3% is pleasing to see."

UK and Ireland	Q3, 2019	Q3, 2018	Q1-3, 2019	Q1-3, 2018
Net sales	278.3	290.3	821.8	861.8
(of which, intercompany sales)	*(15.5)*	*(6.0)*	*(52.2)*	*(31.8)*
Operating profit	27.2	36.5	71.5	98.6
Operating margin, %	9.8	12.6	8.7	11.4
Sales growth, %	-4.1	-2.7	-4.6	-6.9
Sales growth, adjusted for exchange rate differences , %	-5.5	-11.1	-7.8	-11.7
Growth in operating profit, %	-25.5	-25.1	-27.5	-31.0

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 which also has 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

Q3
NET SALES, MSEK
1,217.0

OPERATING PROFIT, MSEK
141.8

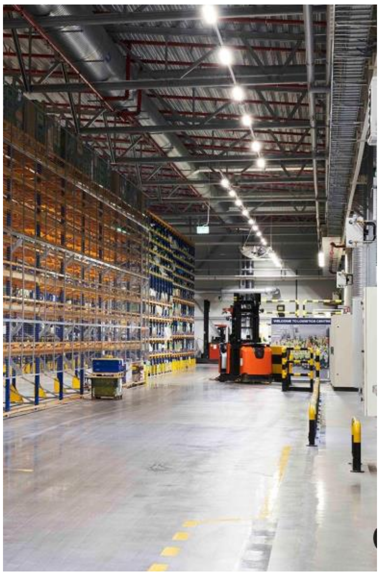
OPERATING MARGIN, %
11.7

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 year to date of 3,146.1 (1,539.4) MSEK and the business area delivered an operating profit for the period of 290.0 (179.9) MSEK with an operating margin of 9.2 (11.7)%.

The business area is the largest business area for the Group, the order intake annualises above 4.8 BSEK and the opportunity to develop the operating margin is high. The business area contributes the largest operating profit at 290 MSEK for the 9 months.

Western and Southern Europe	Q3, 2019	Q3, 2018	Q1-3, 2019	Q1-3, 2018
Net sales	1,217.0	595.9	3,146.1	1,539.4
(of which, intercompany sales)	*(27.4)*	*(23.2)*	*(72.3)*	*(52.4)*
Operating profit	141.8	85.2	290.0	179.9
Operating margin, %	11.7	14.3	9.2	11.7
Sales growth, %	104.2	24.5	104.4	24.0
Sales growth, adjusted for exchange rate differences , %	97.9	15.3	96.6	17.5
Growth in operating profit, %	66.4	30.1	61.2	17.9



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, has re-focused on the domestic market as well as servicing only neighbouring export partners. The cost base has been reduced in September and during Q4 we expect to see the improvement in the operating result.

Our business in Turkey faces domestic headwinds stemming from local geo-political conditions. The planned improvement in the UAE based business sees early signs of delivery with improved order income in recent months and a lower operating cost base.

The economy in Australia continues to show signs of weakening, but positively, from ORT in Melbourne, the new SN3 connectivity solution is making good progress in many markets with an anticipated doubling of unit sales in 2019 compared to last year.

Net sales for the year to date were 442.4 (523.8) MSEK, and shows a decline of 15.5% overall, reducing to 14.7% after adjusting for currency effects. The operating profit was 14.6 (47.8) MSEK and the operating margin was 3.3 (9.1)%.

Africa, Asia and the Pacific	Q3, 2019	Q3, 2018	Q1-3, 2019	Q1-3, 2018
Net sales	174.6	181.5	442.4	523.8
(of which, intercompany sales)	*(15.0)*	*(23.6)*	*(35.6)*	*(51.6)*
Operating profit	12.7	17.8	14.6	47.8
Operating margin, %	7.3	9.8	3.3	9.1
Sales growth, %	-3.8	2.0	-15.5	3.5
Sales growth, adjusted for exchange rate differences , %	-6.2	8.5	-14.7	9.8
Growth in operating profit, %	-28.7	-9.6	-69.5	12.7

Q3
NET SALES, MSEK
174.6

OPERATING PROFIT, MSEK
12.7

OPERATING MARGIN, %
7.3

"OR Technologies doubles the number of units sold in 2019."

Other

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

Business per product area

For the year to date, adjusting for currency and acquisition effects, net sales in the Group's largest product area, Indoor Lighting increased by 0.5%. We report a 2.1% like for like reduction in Outdoor Lighting and a significant decline in Retail Lighting of 15.0%. The global retail industry is in a period of change and this affects all stakeholders. The impacts of this decline for the Group are experienced mostly in NE but also in the UK&I and W&SE.

In the medium term the approach to the Retail Lighting segment and how to benefit from the Group's strong position and operational footprint 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 third quarter, the net sales mix was 55.5(60.0)% Indoor, 19.1 (18.4)% Retail and 25.4 (21.6)% Outdoor.

NET SALES PER PRODUCT AREA

	Q3, 2019			Q3, 2018		
	Indoor	**Retail**	**Outdoor**	**Indoor**	**Retail**	**Outdoor**
Northern Europe	336.9	47.9	69.1	299.8	52.7	73.2
UK and Ireland	208.9	44.5	9.4	252.5	17.5	14.3
Western and Southern Europe	456.4	296.1	437.1	172.7	188.1	211.9
Africa, Asia and the Pacific	145.2	5.5	8.9	138.2	7.4	12.3
Total	**1,147.4**	**394.0**	**524.5**	**863.2**	**265.7**	**311.7**

	Q1-3, 2019			Q1-3, 2018		
	Indoor	**Retail**	**Outdoor**	**Indoor**	**Retail**	**Outdoor**
Northern Europe	1,105.8	139.4	220.2	955.4	174.6	213.7
UK and Ireland	657.2	80.6	31.8	676.4	120.1	33.5
Western and Southern Europe	1,181.7	760.1	1,132.0	369.0	531.7	586.3
Africa, Asia and the Pacific	362.7	16.1	28.0	419.4	20.5	32.3
Total	**3,307.4**	**996.2**	**1,412.0**	**2,420.2**	**846.9**	**865.8**

Financial position

The Group's equity/assets ratio at the end of the third quarter was 41 (29)%. Cash and bank balances at the end of the period were 1,135 (527) MSEK and consolidated equity was 5,523 (1,960) MSEK.

The cash flow for the year to date was +280 (-447) MSEK and 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 Q2 the rights issue raised 2,213 MSEK and the bridge loan was repaid.

At the end of the period the net debt increased to 4,097 (2,366) MSEK as a result of the above, but also due to the accounting changes under IFRS 16 by 966 (0) MSEK.

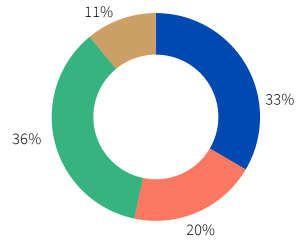
Cash flow from operating activities was +629 (+91) MSEK with the 538 MSEK increase mainly due to a 374 MSEK change in working capital improvement compared to a year ago and an 88 MSEK increase in profitability.

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

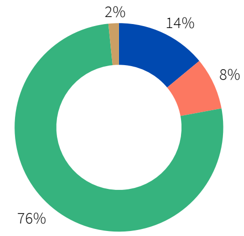
Rights issue

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.

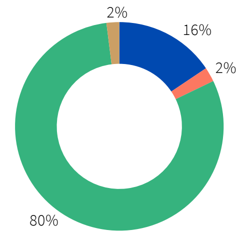
NET SALES INDOOR, Q1-3 2019



NET SALES RETAIL, Q1-3 2019



NET SALES OUTDOOR, Q1-3 2019



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 189 (129) 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 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 which 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.

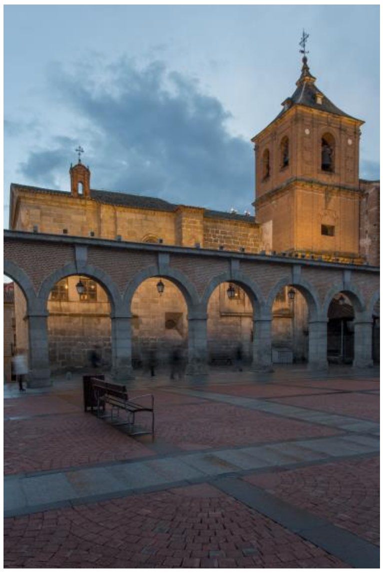
On 26th April 2019, the board of directors of Fagerhult decided on the terms for the Rights Issue. The proceeds from the Rights Issue has been used to pay down the bridging loan finance drawn down at completion on 7th March. The Rights Issue carried a record date of 6th May and the subscription period 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 updated draft PPA analysis and may be subject to change with any such changes being finalised and reported in the Q4 report.

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	3,104.9
Goodwill	**715.2**

THE ASSETS AND THE LIABILITES ARISING FROM THE ACQUISITION

	Fair value
Cash and cash equivalents	419.9
Property, plant and equipment	1,338.8
Financial assets	98.9
Intangible assets	2,182.6
Inventories	516.9
Receivables	621.1
Liabilities	-1,378.9
Deferred tax liabilities	-660.9
Net assets	**3,138.4**
Non-controlling interests	-33.5
Net assets acquired	**3,104.9**
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 5,010 (3,368).

Parent company

AB Fagerhult's operations comprise Group Management, financing and business development activities. The profit before appropriations and tax was 49.0 (1.8) 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 the opening balances for 2019 has been reported 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.

Nomination committee

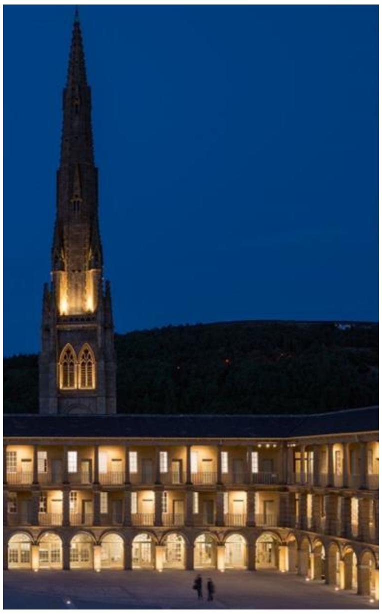
AB Fagerhult has a Nomination Committee comprising a representative of each of the four largest shareholders or owner groups in terms of the number of votes, and also the Chairman of the Board, although the Chairman of the Board of Directors shall be co-opted (“adjungerad”) without the right to vote.

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 shareholders registered under their own names or as members of an owner group as per 31 August 2019.

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 AT 31TH AUGUST 2019

Name	No. of shares	Share capital and voting rights,%
Investment AB Latour	78,410,480	44.3%
Lannebo funds	13,511,460	7.6%
FMR, Fidelity (US)	10,568,173	6.0%
The Svensson, family, foundation and company	9,618,442	5.4%
Swedbank funds	8,510,529	4.8%
Fimag S.p.A.	8,442,313	4.8%
Nordea funds	4,949,059	2.8%
JP Morgan	4,247,463	2.4%

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), Johan Hjertonsson representing Investment AB Latour, Johan Ståhl representing Lannebo Funds, Evert Carlsson representing Swedbank Robur Small Business Funds and Adolfo Guzzini representing Fimag S.p.A.

Questions regarding the nomination committee shall be addressed to the Group’s CFO Michael Wood, michael.wood@fagerhult.se

Outlook for 2019-2020

During the last two years, acquisitive growth has led to a strong positive sales and earnings trend for the Group and for the last 9-18 months order intake development has shown 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 retail segment has and continues to provide headwinds as the industry undergoes a change.

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.

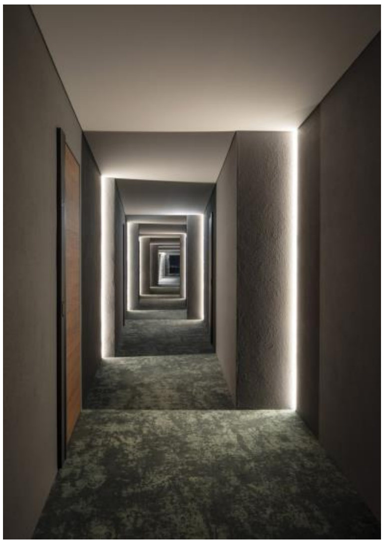
The Group's medium-to-long term strategy continues to include further acquisitions, both geographically and technology led acquisitions.

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 re-organise and 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 further benefits in the fourth quarter and into 2020.



Habo, 25th October 2019
AB Fagerhult (publ)

Bodil Sonesson
President and CEO

The year-end report will be submitted on 18th February 2020.

In 2020, interim reports will be submitted on 5th May, 18th August and 23rd October.
The Annual General Meeting will be held on 5th May 2020 in Habo.

Information can be obtained from;

Bodil Sonesson, CEO, +46 72223 7602

Michael Wood, CFO, +46 73087 4647

AB Fagerhult (publ.)
Corporate ID no. 556110-6203
SE-566 80 Habo
Tel +46 (0)36-10 85 00
headoffice@fagerhult.se

www.fagerhultgroup.com

Report of Review of Interim Financial Information

AB Fagerhult (publ). Corporate ID no. 556110-6203

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of AB Fagerhult as of 30 September 2019 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.

SCOPE OF REVIEW

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, 25th October 2019

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorized Public Accountant

Group

INCOME STATEMENT

	2019 Q3 3 months	2018 Q3 3 months	2019 Q1-3 9 months	2018 Q1-3 9 months	2018/2019 Oct-Sep 12 months	2018 Jan-Dec 12 months
Net sales	2,065.9	1,440.6	5,715.6	4,132.9	7,203.7	5,621.0
Cost of goods sold *	-1,238.0	-887.2	-3,498.5	-2,559.4	-4,413.3	-3,474.2
Gross profit *	**827.9**	**553.4**	**2,217.1**	**1,573.5**	**2,790.4**	**2,146.8**
Selling expenses *	-426.2	-247.8	-1,218.4	-754.9	-1,499.4	-1,035.9
Administrative expenses *	-173.3	-120.3	-465.6	-344.2	-588.4	-467.0
Other operating income	26.7	9.7	54.9	25.8	229.9	200.8
Other operating expenses	-	-	-	-	-138.9	-138.9
Operating profit *	**255.1**	**195.0**	**588.0**	**500.2**	**793.6**	**705.8**
Financial items *	-16.8	-8.7	-67.8	-28.7	-78.2	-39.1
Profit before tax *	**238.3**	**186.3**	**520.2**	**471.5**	**715.4**	**666.7**
Tax *	-57.2	-51.3	-131.6	-122.6	-172.6	-163.6
Net profit for the period *	**181.1**	**135.0**	**388.6**	**348.9**	**542.8**	**503.1**
Net profit for the period attributable to shareholders of the Parent Company *	179.8	135.0	383.5	348.9	537.7	503.1
Earnings per share, based on earnings attributable to shareholders of the parent during the year:						
Earnings per share before dilution, SEK *	1.02	1.18	2.63	3.05	3.63	4.39
Earnings per share after dilution, SEK *	1.02	1.18	2.63	3.05	3.63	4.39
Average number of outstanding shares before dilution	176,136	114,500	145,653	114,496	148,130	114,497
Average number of outstanding shares after dilution	176,136	114,500	145,653	114,496	148,130	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 *	**181.1**	**135.0**	**388.6**	**348.9**	**542.8**	**503.1**
Other comprehensive income						
Items which may not be reversed in the income statement:						
Revaluation of pension plans	-4.2	-	-4.2	-	-4.9	-0.7
Items which may be reversed in the income statement:						
Translation differences	137.6	-96.3	199.2	-53.6	213.3	-39.5
Other comprehensive income for the period, net after tax *	**133.4**	**-96.3**	**195.0**	**-53.6**	**208.4**	**-40.2**
Total comprehensive income for the period *	**314.5**	**38.7**	**583.6**	**295.3**	**751.2**	**462.9**
Comprehensive income attributable to shareholders of the Parent Company *	313.2	38.7	578.5	295.3	746.1	462.9

* Impacted by IFRS 16 from 2019-01-01

BALANCE SHEET

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Intangible assets	6,253.0	3,297.2	3,159.9
Tangible fixed assets *	2,876.7	715.5	703.1
Financial assets *	231.0	52.0	52.1
Inventories	1,321.3	873.0	857.4
Accounts receivable - trade	1,583.2	1,112.6	925.0
Other non-interest-bearing current assets *	220.4	151.8	115.3
Cash and cash equivalents	1,134.8	526.6	808.4
Total assets	**13,620.4**	**6,728.7**	**6,621.2**
Equity *	5,523.1	1,960.0	2,129.2
Long-term interest-bearing liabilities *	4,941.4	2,888.3	2,465.1
Long-term non-interest-bearing liabilities	1,227.3	846.5	584.0
Short-term interest-bearing liabilities *	290.6	4.6	416.1
Short-term non-interest-bearing liabilities	1,638.0	1,029.3	1,026.8
Total equity and liabilities	**13,620.4**	**6,728.7**	**6,621.2**

* Impacted by IFRS 16 from 2019-01-01

CASH FLOW STATEMENT

	2019 Q3 3 months	2018 Q3 3 months	2019 Q1-3 9 months	2018 Q1-3 9 months	2018/2019 Oct-Sep 12 months	2018 Jan-Dec 12 months
Operating profit *	**255.1**	**195.0**	**588.0**	**500.2**	**793.6**	**705.8**
Adjustments for non-cash items *	153.3	39.1	193.6	59.0	200.2	65.6
Financial items *	-19.1	-10.2	-58.1	-28.6	-68.6	-39.1
Tax paid	-38.1	-39.3	-176.7	-147.8	-223.8	-194.9
Funds contributed from operating activities *	**351.2**	**184.6**	**546.8**	**382.8**	**701.4**	**537.4**
Change in working capital	49.2	-2.9	81.8	-292.1	214.6	-159.3
Cash flow from operating activities *	**400.4**	**181.7**	**628.6**	**90.7**	**916.0**	**378.1**
Cash flow from investing activities	-49.6	-31.1	-2,858.7	-407.6	-2,865.7	-414.6
Cash flow from financing activities *	-225.5	-238.0	2,510.1	-129.9	2,515.9	-124.1
Cash flow for the period	**125.3**	**-87.4**	**280.0**	**-446.8**	**566.2**	**-160.6**
Cash and cash equivalents at beginning of period	989.1	636.4	808.4	949.9	526.6	949.9
Translation differences in cash and cash equivalents	20.4	-22.4	46.4	23.5	42.0	19.1
Cash and cash equivalents at end of period	**1,134.8**	**526.6**	**1,134.8**	**526.6**	**1,134.8**	**808.4**

* Impacted by IFRS 16 from 2019-01-01

KEY RATIOS AND DATA PER SHARE

	2019 Q3 3 Months	2018 Q3 3 Months	2019 Q1-3 9 months	2018 Q1-3 9 months	2018/2019 Oct-Sep 12 months	2018 Jan-Dec 12 months
Sales growth, %	43.4	10.3	38.3	7.3	32.1	8.7
Growth in operating profit, % *	30.8	1.5	17.6	-1.0	18.0	4.1
Growth in profit before tax, % *	27.9	1.2	10.3	-1.1	10.5	2.2
Operating margin, % *	12.3	13.5	10.3	12.1	11.0	12.6
Profit margin, % *	11.5	12.9	9.1	11.4	9.9	11.9
Cash liquidity, % *	58.8	50.9	58.8	50.9	58.8	56.0
Net debt/EBITDA ratio *	2.6	2.4	3.3	2.8	3.1	2.0
Equity/assets ratio, % *	40.6	29.1	40.6	29.1	40.6	32.2
Capital employed, MSEK *	10,755	4,853	10,755	4,853	10,755	5,010
Return on capital employed, % *	9.5	16.2	10.1	14.2	10.3	14.8
Return on equity, % *	13.1	27.6	13.5	24.2	14.5	25.0
Net debt, MSEK *	4,097	2,366	4,097	2,366	4,097	2,073
Gross investment in non-current assets, MSEK *	47.1	34.0	189.0	128.7	219.3	159.0
Net investment in non-current assets, MSEK *	47.1	34.0	189.0	128.7	183.6	123.3
Depreciation/amortisation/impairment of non-current assets, MSEK *	135.2	47.1	348.7	137.3	531.7	320.3
Number of employees	4,685	3,350	5,010	3,368	4,027	3,384
Equity per share, SEK *	31.36	17.12	31.36	17.12	31.36	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				348.9		348.9
Other comprehensive income			-53.6	-		-53.6
Total comprehensive income for the period			-53.6	348.9		295.3
Performance share plan				3.2		3.2
Dividend paid, SEK 2.00 per share				-229.0		-229.0
Equity at 30 September 2018	**65.5**	**205.0**	**-252.3**	**1,941.8**		**1,960.0**
Equity at 1 January 2019	**65.5**	**205.0**	**-238.2**	**2,096.9**		**2,129.2**
Net profit for the period				383.5	5.1	388.6
Other comprehensive income			199.2	-4.2		195.0
Total comprehensive income for the period			199.2	379.3	5.1	583.6
Acquired Non-controlling interest					33.5	33.5
Issue in kind (11,244,805 shares)	6.4	820.1				826.5
Rights issue (50,298,038 shares), net amount after issue costs	28.3	2,169.4				2,197.7
Performance share plan				4.1		4.1
Dividend paid, SEK 2.00 per share				-251.5		-251.5
Equity at 30 September 2019	**100.2**	**3,194.5**	**-39.0**	**2,228.8**	**38.6**	**5,523.1**

Parent company

INCOME STATEMENT

	2019 Q3 3 Months	2018 Q3 3 Months	2019 Q1-3 9 months	2018 Q1-3 9 months	2018/2019 Oct-Sep 12 months	2018 Jan-Dec 12 months
Net sales	3.7	3.6	11.2	10.8	15.5	15.1
Administrative expenses	-12.6	-11.1	-41.4	-40.8	-51.1	-50.5
Other operating income	0.2	-	0.2	-	0.2	-
Operating profit	**-8.7**	**-7.5**	**-30.0**	**-30.0**	**-35.4**	**-35.4**
Income from shares in subsidiaries	32.7	-	81.8	58.8	81.8	58.8
Financial items	7.9	5.0	-2.8	-27.0	-3.0	-27.2
Profit before appropriations and tax	**31.9**	**-2.5**	**49.0**	**1.8**	**43.4**	**-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	**31.9**	**-2.5**	**49.0**	**1.8**	**266.2**	**219.0**

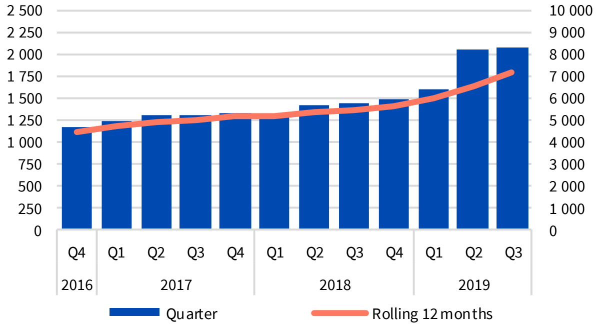
BALANCE SHEET

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Financial assets	7,684.5	3,551.1	3,796.4
Other receivables	109.3	37.0	46.9
Cash & Bank	265.7	142.2	328.7
Total assets	**8,059.5**	**3,730.3**	**4,172.0**
Equity	3,518.1	475.3	694.0
Untaxed reserves	-	8.6	-
Long-term interest bearing liabilities	4,245.7	2,763.2	2,706.8
Long-term non interest bearing liabilities	0.2	1.7	1.7
Short-term interest bearing liabilities	269.7	464.3	740.6
Short-term non interest bearing liabilities	25.8	17.2	28.9
Total Equity and Liabilities	**8,059.5**	**3,730.3**	**4,172.0**

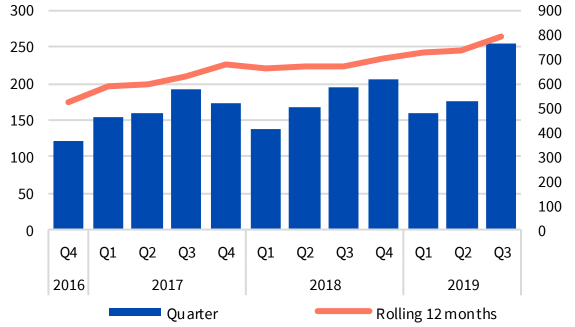
CHANGES IN EQUITY

	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		820.1	826.5
Rights issue (50,298,038 shares), net amount, after issue cost	28.3		2,169.4	2,197.7
Performance share plan			2.4	2.4
Net profit for the period			49.0	49.0
Dividend paid, SEK 2.00 per share			-251.5	-251.5
Equity at 30 September 2019	**100.2**	**159.4**	**3,258.5**	**3,518.1**

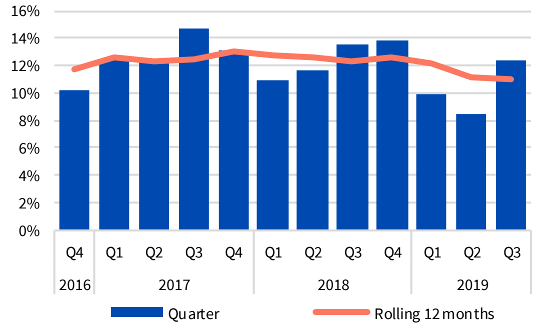
NET SALES, MSEK



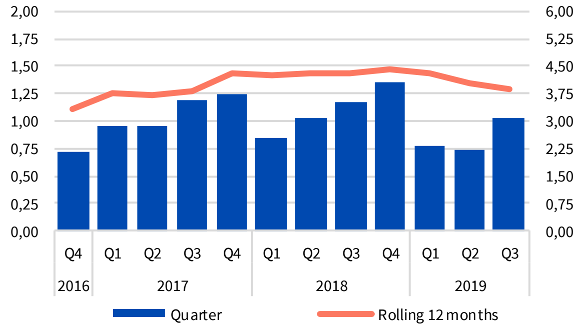
OPERATING PROFIT, MSEK



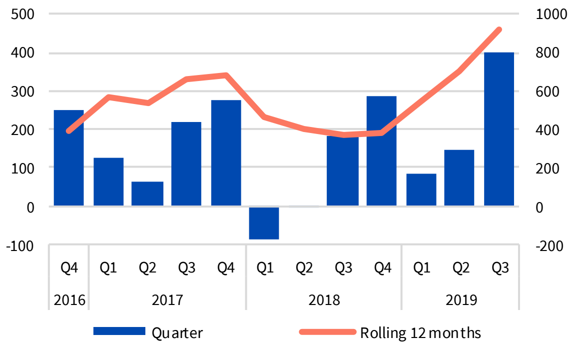
OPERATING MARGIN, %



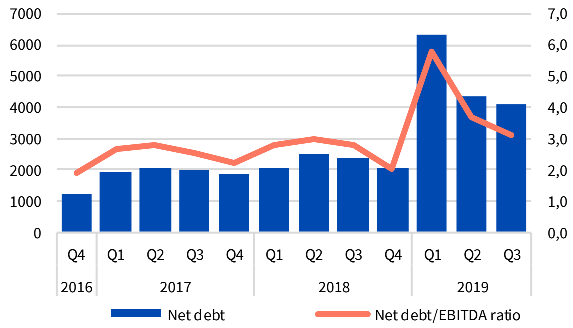
EARNINGS PER SHARE, SEK



OPERATING CASHFLOW



NET DEBT AND NET DEBT EBITDA RATIO

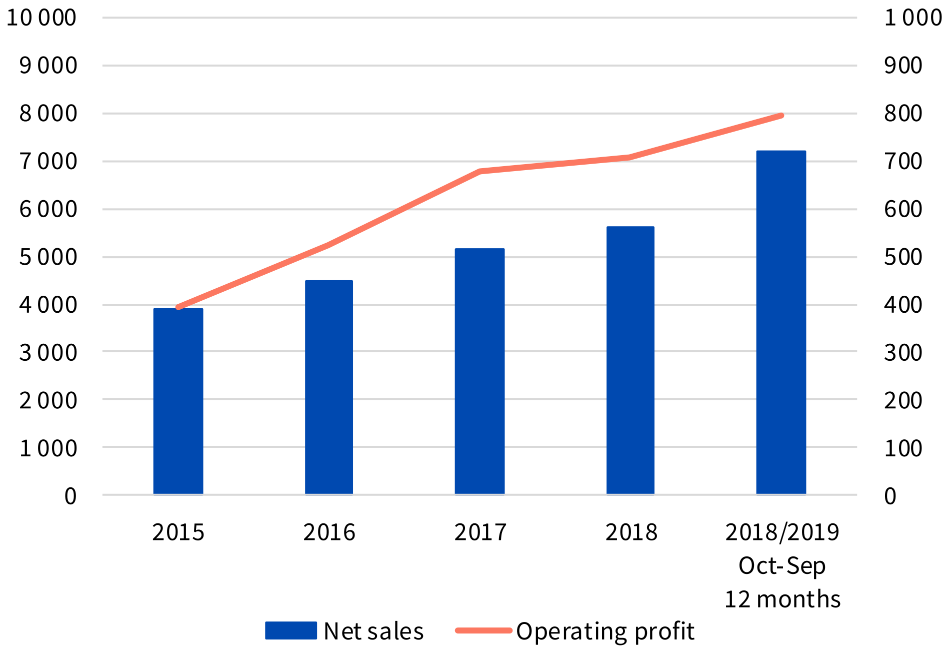


KEY RATIOS AND DATA PER SHARE

	2015	2016	2017	2018	2018/2019 Oct-Sep 12 months
Net sales, MSEK	3,909.4	4,490.7	5,170.3	5,621.0	7,203.7
Operating profit, MSEK *	396.0	524.2	677.9	705.8	793.6
Profit before tax, MSEK *	377.2	514.7	652.5	666.7	715.4
Earnings per share, SEK *	2.54	3.35	4.32	4.39	3.63
Sales growth, % *	4.6	14.9	15.1	8.7	32.1
Growth in operating profit, % *	4.6	32.4	29.3	4.1	18.0
Growth in profit before tax, % *	8.4	36.5	26.8	2.2	10.5
Operating margin, % *	10.1	11.7	13.1	12.6	11.0
Net debt/EBITDA ratio *	1.9	1.9	2.2	2.0	3.1
Equity/assets ratio, % *	38.4	33.8	31.0	32.2	40.6
Capital employed, MSEK *	2,846	3,581	4,670	5,010	10,755
Return on capital employed, % *	14.4	16.8	16.8	14.8	10.3
Return on equity, % *	20.9	24.9	28.1	25.0	14.5
Net debt, MSEK *	937	1,222	1,830	2,073	4,097
Net investment in non-current assets, MSEK *	117.9	169.0	177.1	123.3	183.6
Depreciation/amortisation/impairment of non-current assets, MSEK *	107.3	121.2	158.2	320.3	531.7
Number of employees	2,451	2,787	3,241	3,384	4,027

* 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 Sep 2019
Tangible fixed assets	703.1	797.0	1,500.1	975.3
Financial assets	-	-	-	2.3
Other non-interest-bearing current assets	115.3	-13.0	102.3	-18.9
Equity	-	-	-	-7.5
Long-term interest-bearing liabilities	2,465.1	668.7	3,133.8	805.7
Short-term interest-bearing liabilities	416.1	115.3	531.4	160.5

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

IFRS 16 INCOME STATEMENT ADJUSTMENTS

	IFRS 16 impact 2019 Q1-3 9 months
Reversal of leasing costs under IAS 17	122.4
Depreciation	-117.5
Operating profit	4.9
Profit before tax	-9.7
Net profit for the period	-7.3

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.