



FAGERHULT

ANNUAL REPORT 2012

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On the cover: The Tibi LED fixture was launched in 2012 and is suitable for use with the market's most functional control systems.

FAGERHULT
ANNUAL REPORT
2012

The positive effect of light on people – this is always the starting point in Fagerhult's operations. A good lighting solution is holistic in its approach. If our clients consume less energy, they both help to protect the environment and save on electricity bills. In such a manner, a lighting investment creates value in terms of people, the environment and financially.

Fagerhult's extensive knowledge, our client insight and our strong brand have provided us over the years with a stable history of growth, profitability and shareholder value. Since Bertil Svensson founded Fagerhult in 1945, we have succeeded in becoming the Nordic Region's largest and one of Europe's major industry players. In the following pages, we describe more about how we work and about our strategies for the future.



FAGERHULT IN BRIEF

BUSINESS CONCEPT

Fagerhult's business concept is to develop, manufacture and market lighting systems for public environments.

VISION

Fagerhult's vision is to create energy-efficient lighting solutions which contribute to an ergonomically sound environment in an international arena.

VALUES

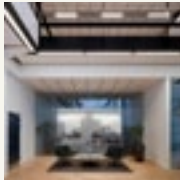
Customer focus.
Performance culture.
Innovative mind-set.

THIS IS AB FAGERHULT

Fagerhult is one of Europe's leading lighting groups, with approximately 2,200 employees and operations in approximately 20 countries. We create modern products and exciting, energy-efficient and environmentally-adapted lighting systems. The Group includes strong brands, such as Fagerhult, LTS Licht & Leuchten, Ateljé Lyktan, Eagle Lighting, Designplan Lighting and Whitecroft Lighting.

AB Fagerhult is listed on the Nasdaq OMX Nordic Exchange in Stockholm. We offer tailor-made solutions in the following areas:

OFFICE LIGHTING



Products and solutions for modern office environments, hotels and other public spaces.

SCHOOL LIGHTING



Lighting solutions specially adapted to educational premises, from lecture halls to study rooms and libraries.

LIGHTING FOR DEMANDING ENVIRONMENTS



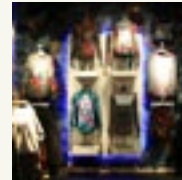
Systems, applications and products for travelling environments, industrial spaces and other demanding environments.

HEALTH AND HOSPITAL CARE PRODUCTS



Lighting and supply systems, such as panels for intensive care units and treatment rooms, and dialysis columns in hospitals.

RETAIL LIGHTING



Lighting solutions and service for retail environments, developed through knowledge and understanding of the significance of light for consumer attitudes and behaviour.

OUTDOOR LIGHTING



Lighting for public spaces such as roads, paths and parks, as well as architectural lighting.

Fig. 1
SALES AND PROFIT DEVELOPMENT

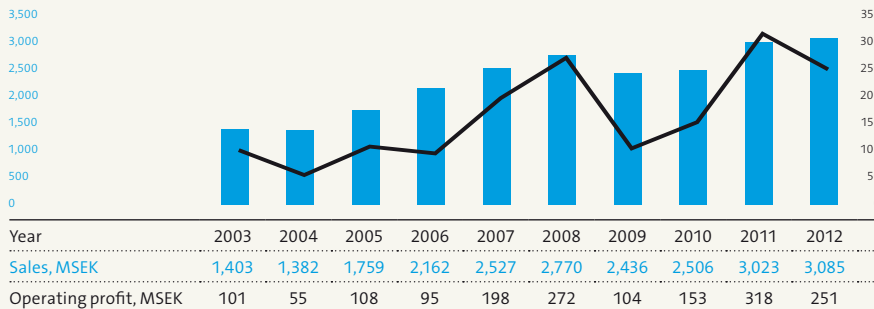
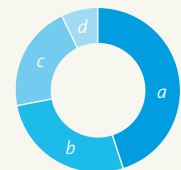


Fig. 2
SALES PER BUSINESS AREA



- a) Northern Europe: 45%
- b) The UK, Ireland and the Middle East: 27%
- c) Other Europe: 21%
- d) Asia and Australia: 7%

THE PAST YEAR

INCREASED NET SALES: Sales increased during 2012 by 12 per cent, after adjustments for currency effects and the acquisition of Designplan. Growth was good in, primarily, Scandinavia, the UK, Spain and the Middle East.

INCREASED ORDERS: The Group's order inflow increased by 2 per cent compared with the previous year, after adjustments for currency effects and acquisitions. Increases have been seen in, primarily, the Nordic countries, the UK, the Middle East and Spain.

CURRENCY EFFECTS: The strong Swedish krona negatively impacted income by MSEK 16 during 2012.

WEAKER ECONOMIC CLIMATE: Order inflow and operating profit were affected by a weaker market, primarily within Retail Lighting. Overall, sales in Indoor Lighting increased, but displayed a downward trend during the fourth quarter.

MAJOR LED CONTRACT: Fagerhult was chosen as the new main supplier of lighting for the New Karolinska Solna, a major hospital project connected with Karolinska University Hospital in Stockholm. The major portion of the solution is LED-based and meets strict energy efficiency requirements.

NEW LED SOLUTIONS: During the year, there was a continual development within LED lighting. Fagerhult launched the fixture, Appareo, with LED light sources in which the diodes are concealed in the frame of the fixture. The fixture, Tibi (cover photo), a super-elliptical LED fixture for public spaces, was also launched. This implies that Fagerhult now, also, has pendant LED fixtures for office spaces in public environments.

DESIGN PRIZE: During the year, Ateljé Lyktan won the prestigious Red Dot Award for two fixtures. Quad received the Red Dot Award: Product Design and Moon received the Red Dot Award: Best of the Best. Also, Fagerhult's company, LTS Licht & Leuchten, was honoured with a Red Dot Award in 2012 for the spotlight, Scout, and for the fixture, Domino.

NET SALES

MSEK 3,085

OPERATING PROFIT

MSEK 251.5

OPERATING MARGIN

8.2 %

EARNINGS PER SHARE

SEK 12.61

COMMENTS FROM THE CEO

This was a year during which we continued to advance our strategic positions, while at the same time we consolidated to meet an increasingly tough market. This is how we at Fagerhult could characterise, more or less, the past year. We began the year as a stronger company compared with previous years, not the least in terms of size. For example, in 2011, sales surpassed, for the first time, SEK 3 billion. But as a lighting company, we are often impacted late in the economic cycle and in 2012, even Fagerhult experienced the weak economic development of the external environment. The downturn was first seen within the Retail segment. During the second half of the year, volumes also decreased within the Indoor and Outdoor segments. Generally speaking, market conditions have been tough and we have really had to prove our capacity for business development, innovation and cost adaptation. In addition, the strong Swedish krona has also been a challenge for us, income-wise.


At the same time, we can now note that, in spite of difficult market conditions, we have actually succeeded in increasing both our sales and our order inflow. Indoor grew by 5 per cent during the year and Outdoor had increased sales by the end of the year, by 11 per cent. In total, the Group's sales and order inflow grew by 2 per cent, adjusted for currency effects and acquisitions.

OUR STRATEGY CONTINUES

This represents for me an important confirmation that we are still on the right path – our customers obviously believe in our holistic approach to lighting solutions. But how have we actually been able to manage the uphill struggle during 2012 in such a positive manner? I believe there are a number of explanations. The first, and most important, is, quite simply, that the strategy we adopted in 2009 holds true today. During 2012, we have concentrated our efforts on doing more of what we already do. We will not see any strategic changes in the near future – we will maintain our focus on growing internationally, both organically and via acquisitions. We will also continue to develop our strategically important strengths: strong customer insight, a strong brand and a strong innovative drive.

IMPORTANT INVESTMENTS

A further explanation is that we have had good cost control at the same time as we have dared to be offensive in our investments in sales, marketing and new products. During the year, we have invested more funds than ever before in product development, primarily as regards LED solutions. The majority of our budget within R&D pertains, nowadays, to LED projects. We see this as an important investment. The current technological shift is revolutionary, and to be able to provide tomorrow's customers with energy efficient and adaptable lighting solutions is decisive to our success. Consequently, during 2012, we invested a lot of energy into also launching LED solutions for our large volume prod-

A man with short brown hair, wearing a dark suit jacket over a light blue button-down shirt, is smiling slightly and looking towards the camera. He is standing in front of a red brick building. To his left, a grey sign with the letters 'ULFT' in blue is mounted on the wall. The background shows a green door and a window reflecting a building. The text is overlaid in the upper right quadrant.

“WE WILL MAINTAIN
OUR FOCUS ON GROWING
INTERNATIONALLY, BOTH
ORGANICALLY AND VIA
ACQUISITIONS.”

COMMENTS FROM THE CEO

ucts and we now have LED products in all business areas. In addition, we have launched new, innovative LED products, for example, in the distinctive fixtures, Appareo and Tibi.

In December 2012, we made a real breakthrough in Sweden as regards LED solutions in major projects. We were chosen by Skanska Installation to be the major supplier of lighting for the New Karolinska Solna project. New Karolinska Solna will be a new university hospital integrating healthcare, research and training and education. For Fagerhult, this was an extraordinarily inspiring assignment to have been awarded. The hospital places high demands on energy efficiency and is characterised by a focus on the environment and sustainability. These are issues which also represent core issues for Fagerhult. However, it is also inspiring to participate in this project, as in the research we have undertaken together with the University of Lund, we have seen that people feel better and perform better in the right type of light. Our capacity to put people in the centre fits very well in an environment which strives to be stimulating, secure and sustainable for both personnel and patients.

GLOBAL COMPANY, LOCAL CUSTOMERS

I believe that a third explanation as to how we have managed the adverse market conditions relatively well is found in our way of organising our operations. Fagerhult is a global company but our customers are local. Consequently, we have chosen a model which integrates all of the advantages of scalability with the best entrepreneurial drive and engagement. We usually talk about, “A globally knitted together Group, leveraging the Group’s size and competencies while preserving local entrepreneurship.” Due to the fact that our subsidiaries and brand are locally anchored, we have the quickest response time that a customer could possibly require. At the same time, we at Group level can utilise the advantages of economies of scale and identify synergies. That we have managed as well as we have in the Nordic and British markets during the year is largely thanks to our strong local brand. For example, we are very satisfied with the development of Atélje Lyktan as a premium brand. In the UK, our Whitecroft brand continues to be an important asset, and in Australia we have a good base in Eagle Lighting.

We have also benefited from the fact that we have been geographically well positioned during the recent downturn. In southern Europe, which was worst hit by the debt crisis and the weak economic climate, we have had a relative low level of exposure, while we have been strong in northern Europe, which has generally been more resistant.

CHALLENGING MARKET IN THE FUTURE

What, then, will the future look like? We are, of course, not satisfied; rather, we see a great deal which can be further developed. We are, for example, still, too limited within the Outdoor segment. In Retail we also have a recovery to make after the year’s decline and are, therefore, very pleased that we have

COMMENTS FROM THE CEO

had a couple of large international chain stores become customers of Fagerhult during the year. At the same time, we are aware that the market will continue to be challenging. Consequently, we will maintain our very careful cost control while, at the same time, fine tuning and sharpening our sales activities and product development.

Even if we continue to see our best growth opportunities in our existing markets, we would like to take this opportunity to mention that we increased our exposure on emerging markets during the year. We are very satisfied with how our operations in the Middle East have developed into positive and stable business. Our regional office in Dubai now covers that entire region. Also in Russia, we feel that we are on the right path.

SUSTAINABILITY – A CONTINUAL AND CONSTANTLY IMPORTANT ISSUE

As I mentioned earlier, sustainability is a constant matter of utmost importance for us, but it also impacts our own work with the environment and social responsibility. Since 2008, we have presented our sustainability efforts in line with the guidelines in the Global Reporting Initiative (GRI). We view our work with sustainability as an on-going activity, a natural process that benefits Fagerhult and our customers financially, environmentally and socially.

We can contribute to a better environment in two ways. Firstly, by helping our customers to reduce their environmental impact through offering more energy-efficient lighting solutions, smarter lighting systems and LED fixtures in our range. Secondly, we can contribute through our own efforts to reduce the environmental impact of our manufacturing processes. One example of this is that, since 2010, we have heated our main Swedish plant with wood chips, which is a renewable fuel, instead of oil.

Finally, I would particularly like to bring our personnel into the limelight. They are the decisive factor in our success, regardless of whether we have the wind at our backs or blowing in our faces; Fagerhult is a pronounced knowledge company, and this knowledge is attributable to our people. Consequently, during 2012, we have continued to work hard with the development of our Group-wide Talent Management Programme. This is important for several reasons. We work in this area because we wish to provide the personnel with insight into what is expected of them and also to provide them with the best possibilities to develop together with the Company. In addition, in this manner we as an employer can ensure that we succeed in creating the involvement required to achieve both our short and long term business goals.

Habo, February 2013

JOHAN HJERTONSSON
President and CEO



AB FAGERHULT

AB Fagerhult is the Nordic Region's largest lighting group and one of Europe's leading players in the industry. The Group has operations in approximately 20 countries, with sales companies in Sweden, Norway, Denmark, Finland, the UK, Ireland, the Netherlands, France, Spain, Germany, Austria, Estonia, Poland, Russia, the United Arab Emirates, Australia and China. The Group has manufacturing units in Habo and Åhus in Sweden, Manchester and Sutton in the UK, Tett nang in Germany, Melbourne in Australia and Suzhou in China.



EXTERNAL ENVIRONMENT AND MARKETS

Lighting is usually the last thing to be installed once a building has been constructed. For this reason, the lighting industry is generally late in the business cycle. As with many other industries, the lighting industry has been affected by the broad economic downturn in Europe, and with reduced volumes as a result. Meanwhile, there are several other important and positive trends that continue to drive developments: Changed customer behaviour, the demand for reductions in energy consumption and a revolutionary technological shift towards LED.

FAGERHULT'S MARKETS

Fagerhult is an international group with operations in more than 20 countries. The three product areas, Indoor Lighting (professional lighting), Outdoor Lighting and Retail Lighting, are offered in all markets. These are three segments that are normally found in different phases of a business cycle, which reduces Fagerhult's sensitivity to business cycles.

In the Nordic region, Fagerhult is the largest lighting group, with strong positions within offices, hospitals and industry. In Europe and Australia, we are among the market leaders. New markets are not ruled out for Fagerhult, but the largest potential is seen in our existing markets. Over the past two years, Fagerhult has strengthened its European market presence through, among other things, a couple of strategic acquisitions. Since 2010, German LTS Licht & Leuchten, with strong positions within retail solutions, has been part of the Group. In 2011, the British company, Designplan, was acquired, which is a leader in robust solutions for demanding environments, such as public transport and prisons. This enables Fagerhult to further increase its ability to take assignments in this segment.

After a few years of stabilisation, the business area Retail Lighting has, during the past year, seen increased conservatism among customers due to the economic downturn. Still, there is future potential. Shop lighting represents a quarter of the total market. Shops are also situated earlier in the business cycle – when the economy picks up this business segment will often recover faster than, for example, the Indoor segment.

With regards to competition, the lighting industry is still in a consolidation phase. There are many different operators and the local differences in competition can be significant. In addition, we are seeing a sector shift, with new operators joining the lighting industry. One example is electronics companies seeing opportunities to develop their own products and solutions as they further develop LED technology. At the same time, precisely this sector shift and consolidation provide exciting opportunities for an expanding company such as Fagerhult.

MEGA-TRENDS AROUND THE WORLD

From a broader perspective, the lighting industry is driven by three major mega-trends. The first is demographic: We are getting older. This will continue to drive demand for equipment in hospitals and lighting systems for retirement homes. As the retirement age increases, there will also be an increased demand for workplace lighting suitable for older people. Meanwhile, urbanisation is also taking place – more people choose to settle in already densely populated areas. The result is growing cities, which, in turn, increases the need for attractive and safe outdoor environments.



Kilden theatre and concert hall, Kristiansand, Norway.

IN THE NORDIC REGION, FAGERHULT IS
ALREADY THE LARGEST LIGHTING GROUP,
WITH A STRONG POSITION WITHIN
OFFICES, HOSPITALS AND INDUSTRY.



The other large trend is about how we work. More and more people tend to work more intensively during certain periods, but in return, they also see to it that they get more out of their spare time. This drives the demand both for good lighting conditions in workplaces, as well as lighting solutions in leisure facilities, such as hotels and spas. This also affects the methods we apply to compete for the workforce.

The third trend concerns responsibility. A growing number of people are becoming aware of the impact our lifestyle has on the environment and society and they want to make a difference. When both companies and the individual increase their awareness of these issues, this, in turn, drives the demand for more energy-saving lighting solutions throughout society in general.

MARKET-SPECIFIC DRIVING FORCES

Within these mega-trends, there are a number of industry-specific driving forces affecting the lighting industry. One of society's most important overall goals is increased energy efficiency. The decisions taken by the authorities have a substantial impact on Fagerhult's markets. The EU's climate goal of reducing carbon dioxide emissions by 20 per cent by 2020 has had a significant impact on the market for a number of years, and has opened up new business opportunities. The EU Directive to phase out all light sources containing mercury by 2016 has also led to a number of business opportunities for lighting companies, particularly as regards outdoor lighting.

EXTERNAL ENVIRONMENT AND MARKETS

Another decision by an authority which has benefited the market is the EU directive requiring property owners to provide an energy declaration for the buildings they own. Property owners with older lighting systems have been forced to look into the advantages provided by more efficient solutions. The result is that there is a potential for both financial savings and environmental gains.

REVOLUTIONARY TECHNOLOGY

Another industry-specific driving force is technological development. It has been said that the transition to LED technology is so significant that it can be compared to the breakthrough of the fluorescent light bulb. LED, Light-Emitting Diodes, have superior qualities in terms of sustainability and efficiency compared with older solutions. Initially, LEDs were used for specific solutions, such as traffic lights, but with increased efficiency came additional uses, in particular spot lighting and façade lighting.

The technology is now so advanced that it is possible to use LEDs for general lighting with low and medium intensities. Today, customers can choose white LED lighting with a luminous efficiency of more than 100 lumens per watt, which is at least as efficient as today's fluorescent lighting and increasingly makes LED a serious alternative to other light sources. The advantages are many: LED solutions have long life spans, generate light in a more efficient manner and the light, available in a variety of colours, can be adjusted infinitely. In terms of design, LEDs allow greater advantages and flexibility over the older incandescent lights.

But there are still limits. The light is intensive and in certain environments requires, for example, prisms in order to be directed correctly and to function properly. Consequently, it is important that a LED solution is carefully designed to work well in, for example, offices.

The development of intelligent control systems is another important driving force in the lighting industry. With today's smart IT solutions, it is possible to automatically control and adjust the lighting to the number of people in the room, time, season, etc. This dramatically increases the customer's opportunities for a lighting system that accounts both for the environmental impact, the energy bill and people's well-being.

However, it is important to remember that the development has only just begun – parallel with all these new developments, many customers still require good solutions using existing technologies.

KNOWLEDGE INCREASES

More and more customers realise that investing in modern lighting solutions is one of the most effective means of reducing energy consumption and, consequently, saving money and reducing the environmental impact. At the same time, many customers have also increased their knowledge of light's importance for well-being. The role of light in people's health, productivity and experience increasingly ends up high on the agenda when it comes to investing in a new lighting system.

This means that the demands placed on lighting suppliers increase. It is not enough to supply knowledge; we also need the ability to tailor unique solutions suited specifically to the customer's concept, while living up to high standards of service and safe delivery.



Tipi, Ateljé Lyktan.

HOW FAGERHULT CREATES VALUE

Fagerhult creates value on the basis of three fundamental abilities: Our knowledge of light, our deep customer insight and our ability to deliver quickly and reliably. With these capabilities, we have created an organisation with both passion for the task, as well as one that optimises synergies and resources.

PASSION THAT CREATES VALUE

Our value creation always starts with the knowledge of how humans are affected by light. Consequently, a passion for good lighting solutions permeates everything we do, from the production units' attention to detail to the sales organisations' ability to find the right solutions to satisfy customers' various needs.

We also gain a lot from combining the best of being international, with the strength of local presence. Fagerhult is a large group with production facilities in several locations around the world, but we are also driven by the entrepreneurial spirit of the subsidiaries. Our organisation with four business areas ensures that we take advantage of synergies and economies of scale, while our subsidiaries can develop their business based on their specific market conditions. Several of our brands give us extra strength in key geographic markets. For example in the UK, Whitecroft Lighting is one of the market leaders, and in Germany, LTS Licht & Leuchten is a well-established brand, particularly within retail lighting.

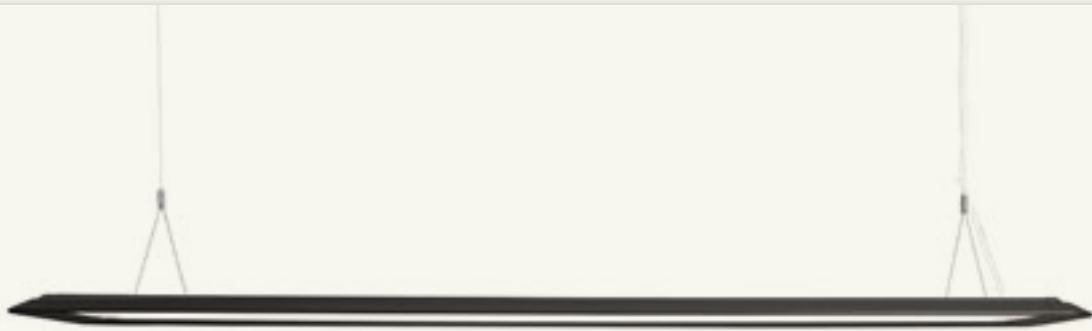
Our size also helps us to produce and deliver efficiently. By coordinating procurement for the entire Group and reducing the number of suppliers, purchase costs can be substantially reduced. Our business areas work together with purchasing and production through a joint department, Operations, ensuring that resources are coordinated and used in the best possible manner.

Being able to offer the industry's best solutions at competitive prices is an important capacity that we cherish. Consequently, we continuously strive to work even smarter and to find ever more ways to keep costs down, without having to compromise the quality of our products.

FORUM FOR LEARNING

As a knowledge-based company, we are always in the middle of various learning processes which, in turn, give rise to new ideas. We work in many different ways to spread knowledge and creativity within the Group. The hub of our research and development consists of Fagerhult Lighting Academy. The Academy was formed in 2004 to take advantage of the Group's collected knowledge regarding everything from lighting design to environmental impact.

But the Academy has other important business functions. It provides a means of showcasing our combined expertise, which can, for example, be a great advantage when it comes to positioning in new markets. The Academy also plays an important role in the integration of acquisitions: Here, the new employees are provided with a forum for learning, while Fagerhult is given the opportunity to identify, foster and develop the new employees' core competencies. Fagerhult also has an internal collaboration platform for technological development, the R&D Forum. This provides a means of structuring the Group's development work so that we are always at the forefront of new developments.



OUR BUSINESS

The Fagerhult Group operates in three product areas: Indoor Lighting (Professional Lighting), Outdoor Lighting and Retail Lighting. Operations are divided into four geographical business areas (see the opposite page), which supports our emphasis on internationalisation in the best possible manner. Our goal is to be one of the top three industry leaders in all of the markets in which Fagerhult chooses to be active.

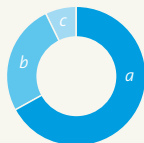
Manufacturing is predominantly carried out in large facilities in Suzhou in China, Habo and Åhus in Sweden, Manchester and Sutton in England, Melbourne in Australia and Tettngang in Germany. The Fagerhult Group has six large brands originating from four different markets: the main brand, Fagerhult, has its strongest base in northern Europe; Ateljé Lyktan has a characteristically Nordic emphasis on cutting-edge design; Whitecroft Lighting is the industry leader in the UK; the British brand Designplan is the leader in lighting in demanding environments; LTS Licht & Leuchten is one of the largest in its field in Germany; and Eagle Lighting has a strong presence in Australia.

The fixture above is called Appareo and was launched in 2012.

Fig. 3

SALES PER PRODUCT AREA 2012

- a) Indoor Lighting: 67 %
- b) Retail Lighting: 26 %
- c) Outdoor Lighting: 7 %



BRANDS IN THE GROUP

FAGERHULT

ateljé Lyktan

Whitecroft
lighting

LTS
LICHT & LEUCHTEN

designplan

eaglelightingaustralia
'Member of the Fagerhult Group'

FAGERHULT'S BUSINESS MODEL

BUSINESS AREA

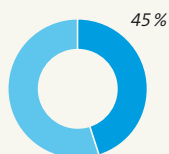
NORTHERN EUROPE

Units in the Nordic and Baltic countries, Russia, and the factory in China, engaged in manufacturing and purchasing. Development, production and sales are conducted in Sweden, whereas operations in other markets, except for China, refer only to sales.

	2012	2011
Sales, MSEK	1,685.9	1,624.4
<i>of which internal sales</i>	<i>(300.5)</i>	<i>(302.2)</i>
Operating profit, MSEK	99.3	120.4
Sales growth, %	3.8	2.4
Sales growth currency-adjusted, %	4.2	4.1

Fig. 4

SHARE OF GROUP SALES



More on 2012 in the Administration Report on page 55.

BUSINESS AREA

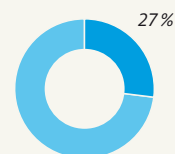
UK, IRELAND, AND THE MIDDLE EAST

Units in England and Ireland, as well as operations in the Middle East. The dominant unit is Whitecroft Lighting, which engages in the development, manufacture and sale of lighting systems. Other units are engaged in sales operations. The company Designplan Lighting Ltd, was acquired during the second quarter of 2011.

	2012	2011
Sales, MSEK	831.5	743.9
<i>of which internal sales</i>	<i>(5.3)</i>	<i>(3.5)</i>
Operating profit, MSEK	77.7	69.6
Sales growth, %	11.8	17.9
Sales growth currency-adjusted, %	8.6	26.3

Fig. 5

SHARE OF GROUP SALES



More on 2012 in the Administration Report on page 55.

BUSINESS AREA

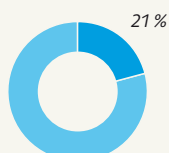
OTHER EUROPE

Units in Germany, the Netherlands, France, Spain, Poland and Austria. The dominant unit in the segment is LTS Licht & Leuchten in Germany, which engages in the development, manufacture and sale of lighting systems. Other units are engaged in sales operations.

	2012	2011
Sales, MSEK	650.5	753.1
<i>of which internal sales</i>	<i>(4.6)</i>	<i>(0.9)</i>
Operating profit, MSEK	61.3	124.2
Sales growth, %	-13.6	84.0
Sales growth currency-adjusted, %	-10.6	94.7

Fig. 6

SHARE OF GROUP SALES



More on 2012 in the Administration Report on page 55.

BUSINESS AREA

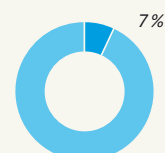
ASIA AND AUSTRALIA

This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken. Operations in Asia refer to sales on the Chinese market.

	2012	2011
Sales, MSEK	227.6	208.0
<i>of which internal sales</i>	<i>(0.0)</i>	<i>(0.0)</i>
Operating profit, MSEK	27.3	19.0
Sales growth, %	9.4	-4.1
Sales growth currency-adjusted, %	4.9	-5.7

Fig. 7

SHARE OF GROUP SALES



More on 2012 in the Administration Report on page 55.

LONG TERM VALUE FOR THE ECONOMY, THE ENVIRONMENT, AND PEOPLE

OUR MAIN GOALS

OUR STRATEGIES

THE ECONOMY



- Growth in existing markets
- Growth within the Retail Lighting sector
- Growth within the Outdoor Lighting sector
- Maintain market leadership in the Nordic countries
- Reach a position within the top three in all other markets and product areas in which we are active

- Proactive efforts towards becoming one of the industry leaders
- Increased internationalisation
- Deep customer insight as a basis for everything we do
- Increased focus in order to develop innovative solutions within new technologies
- Strengthen our work with the brands
- Transition from selling products to selling complete solutions
- Decrease costs by identifying more synergies within manufacturing and purchasing
- Grow both organically and through acquisitions

THE ENVIRONMENT



- Reach CO₂ neutral production
- Continually decrease the Company's total energy consumption per manufactured fitting
- Contribute to a better environment through offering customers lighting solutions with lower energy consumption

- Continually develop more energy-efficient fittings and systems
- Increase employee and customer awareness of the environmental impact of lighting solutions
- Optimise raw material consumption and energy consumption in our factories
- Optimise our choice of materials through comparing the environmental impact and taking transport into account
- Long-term cooperation with our suppliers

PEOPLE



- Contribute to good social development through lighting solutions which increase people's well-being
- Create positive working conditions for our employees, regardless of country
- Develop Fagerhult as an attractive employer

- Increase knowledge about the importance of light and promote interest in Fagerhult's solutions by participating in various collaborations with universities and higher education institutions
- Participate in activities within the community with affiliated organisations, industry organisations, and authorities
- Strive for an equal standard in our international operations as in our Swedish operations as regards working environmental protection, terms of employment and working conditions and preventative health care
- Inform our suppliers of Fagerhult's requirements as regards working conditions and human rights
- Focus on leadership development
- Work to further employees' internal career opportunities

GOALS AND STRATEGIES

Sustainability and long-term thinking are important concepts for Fagerhult. We are known for our stable finances. But when we set our goals and establish our strategies, we are also very aware of the fact that sustainability implies that we must take responsibility for the manner in which we affect the environment and society as a whole. This is why we are striving to ensure that our sustainability work permeates all levels of the Company. Here, we describe our most important goals, our strategies and achievements during the year, viewed from an economic, environmental and societal perspective. For more detailed information, see the separate report at www.fagerhultgroup.com/sustainability.

WHAT WE ACHIEVED IN 2012

- Gained market shares in a number of important markets in spite of a weak economic climate
- Increased the order inflow by 2%, adjusted for currency effects and acquisitions
- Strengthened sales to global clients within Retail
- Won the prestigious Red Dot design award for 2012 for a number of products: Atélje Lyktan was honoured with an award for the fixture, Quad, and also received the Red Dot Award: Best of the Best, for the fixture, Moon. LTD Licht & Leuchten also won a Red Dot design award for its fixture, Domino, and for the spotlight, Scout

- Fagerhult's Swedish factories have continued to purchase electricity from produced by hydropower stations, which is a renewable energy source
- Continued work with the technological shift towards LED lighting with, amongst other things, the launch of the fixtures, Appareo and Tibi
- In addition to new developments in LED, we have also adapted a number of existing products for use with LEDs, for example, the fixture, Notor.
- LED fixtures are now found in all business areas
- Continued dialogue with Fagerhult's stakeholders, both externally and internally

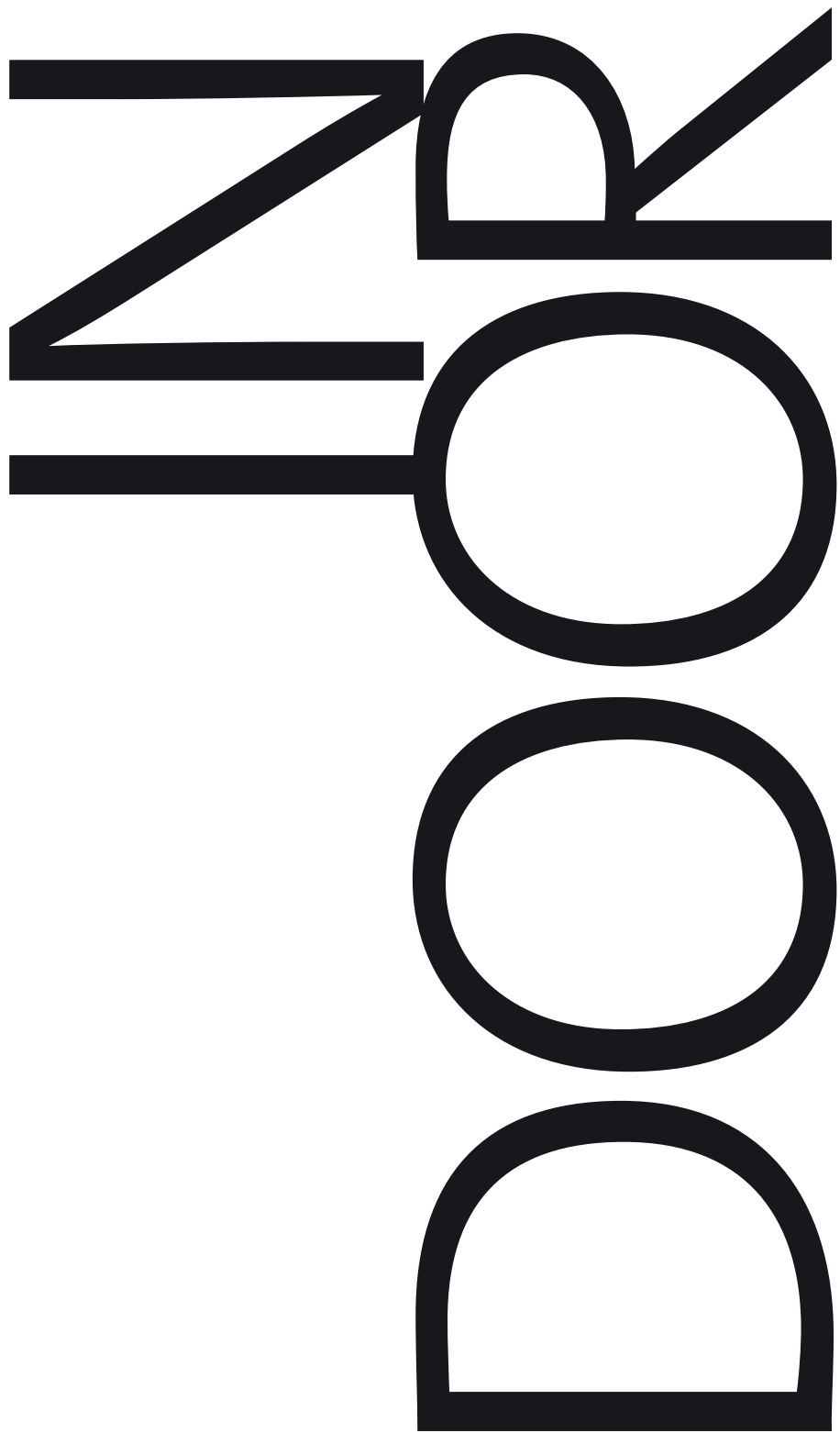
- Continued implementation and strengthening of Fagerhult's existing Talent Management programme. Amongst other things, we have continued to map all of the Group's managers' possibilities to work with the Talent Management programme
- Increased focus on internally communicating and bringing to the fore the Group's core values through, amongst other things, "portraits" of the personnel on the intranet
- Initiated an investment in employee health, the "Health Year", at the Habo unit in Sweden

PRIORITIES FOR 2013

- Continued focus on our brand work
- Deepen customer insight by understanding our customers' needs and how we can best fulfil those needs
- Continued work with the shift in technology towards LED lighting
- Continued cost control
- Further fine tune our good delivery capacity
- Based on customer insight work, clarify our innovation strategy
- Increased focus on the control system

- Continued development of energy-efficiency fixtures and control systems
- Continued work with the technology shift towards energy-efficient, mercury-free LED lighting with long life spans

- Ensure that the Group's code of conduct is continually developed in line with Fagerhult's demands on the external environment and our own operations
- Continued work to strengthen Fagerhult's value-driven culture through, among other things, the Talent Management programme
- Continued focus on leadership development



Healthier, more energetic, happier. Proper lighting indoors can have many positive effects. But light is also important from other perspectives. In an industrial facility or in a hospital, lighting is an important part of security. At a school, the lights can affect learning in a positive manner. Additionally, today's smart lighting systems can reduce energy consumption. This doesn't only lead to cheaper energy bills – it also reduces environmental impact. At Fagerhult we always tailor our lighting solutions to the unique needs of each customer. On the following pages, we present some of our solutions within the product area Indoor Lighting.

$$W_{\text{light}} = ((465 \times 0,93) \times ((1800 \times 0,13 \times 0,75) + (200 \times 0,75))) / 1000 = 315,9$$

$$W_{\text{parasitic}} = ((5 \times 6760) + (100 \times 6760)) / 1000 = 33,8$$

$$W_{\text{total}} = 315,9 + 33,8 / 4 = 92,9$$







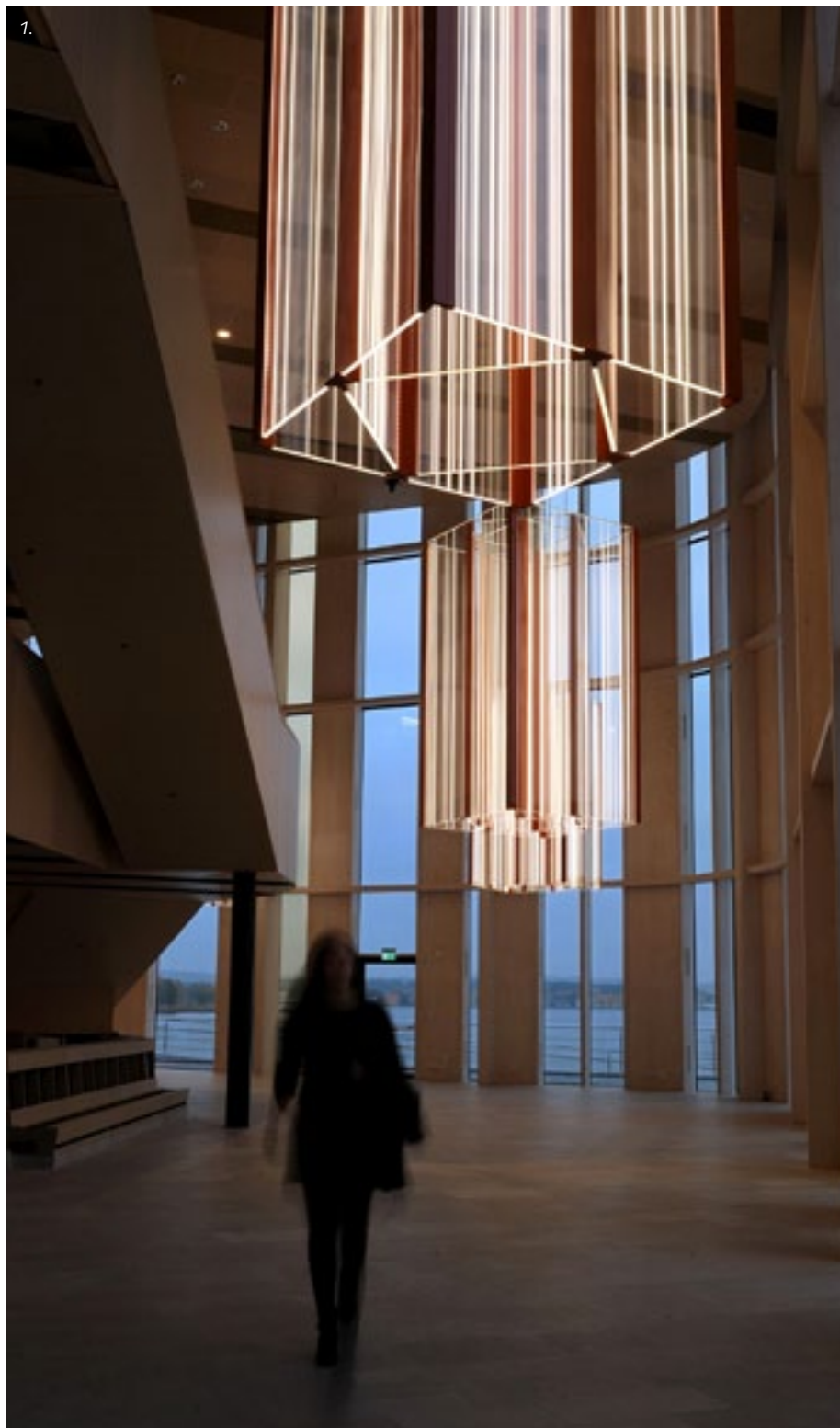
3.

SMART THINKING FOR MODERN ENVIRONMENTS

1. The award-winning office building One Shelly Street in King St Wharf in Sydney Harbour has achieved six stars in the Australian environmental certification “Greenstar”. Without smart lighting solutions, this honour would not have been possible and Fagerhult’s solutions help to keep energy consumption down. MultiFive fixtures provide the soft, friendly light that the architects want, while a smart lighting system ensures that the building will save both the environment and costs.

2. Some environments are more difficult than others – hospitals, for example. Lighting solutions must be secure, reliable and must meet tough hygiene requirements. Fagerhult has extensive solutions designed especially for hospitals, such as the accident and emergency department at Skåne University Hospital, as shown in the picture above. In 2013 Fagerhult will, on behalf of Skanska Installation, also supply lighting solutions to the New Karolinska Solna project which is being built next to the current Karolinska University Hospital in Solna. New Karolinska Solna will be an ultra-modern hospital of approximately 320,000 square metres and will be completed in the 2017. The project is one of Fagerhult’s largest LED projects thus far.

3. Karlstad Congress Culture Centre, beautifully located next to Klarälven, is one of the largest meeting places in Scandinavia. Here, Fagerhult’s energy efficient LED solutions radiate light out over its visitors. This is done through 305 Notor fixtures and 900 fixtures from the downlight series, Pleiad. In the office rooms, the pendant Avion comprises the ceiling lighting over the work stations. Everything is controlled automatically by the lighting control system, DALI, which is specifically developed for energy efficient lighting control in public places.



LIGHT AS AN EXPERIENCE

1. You can hardly step into the Spira Theatre and Culture Centre in Jönköping without catching your breath at the thrilling sight of the five giant overhead lights shimmering at the top of the building. The largest weighs as much as 1.2 tonnes. The idea to create a lighting experience with giant lights in the entrance was presented to Wingårdh architects and Fagerhult when the building was being planned. The well-known Swedish designer, Råman, was responsible for the design. The fixtures utilise modern LED technology with brushed surfaces.

2. The idea is so simple, and the result is so effective: Using Fagerhult's LED fixture Freedom, which consists of one straight and one curved module, architects, designers and lighting designers can give their creativity free rein. Create free forms in the air, accentuate a curved wall or get visitors to look up at the ceiling – Freedom can handle almost everything. The modules can be suspended, placed in the ceiling or mounted directly on the wall. At the same time, Freedom does not compromise on energy efficiency and reliability. The general lighting will be so good that supplemental lighting will not be required. The picture shows Fagerhult's imaginative solution in the ceiling of Sweco's office in Marieberg in Stockholm.







2.

INTELLIGENCE IN THE SYSTEM

1. The theatre tradition is deeply rooted in the German city of Heilbronn – the tradition of public theatre is documented in the city since the Middle Ages. Today's theatre, with three stages, was built in the 1980s, but has been subsequently modernised. With the help of lighting solutions from LTS Licht & Leuchten, drama and atmosphere can be created for the visitors even in stairwells and corridors. Modern LED technology ensures that no environmental or economic resources are consumed unnecessarily.

2. Learning and lighting are linked. A study implemented by Fagerhult in 2011, together with Lund University and London City University, showed that student performance was influenced positively when light levels were sufficiently high and there was a good balance between direct and indirect light. Roskilde University in Denmark is an example of an institution where indoor lighting has been given great consideration. The roof has exciting light patterns created with Fagerhult's downlight Pleiad, walls are accented with a wallwasher from the same product family and the fixture Indigo Combo provides the general lighting. The entire solution is a mix of direct and indirect light, all controlled by an intelligent control system for maximum efficiency.

3. A lighting system is a major investment and, if implemented successfully, can save both money and energy. When the construction company Peab needed a future-proof lighting solution for their offices in Umeå, they turned to Fagerhult. The result was a smart and energy-efficient solution including Fagerhult's successful last generation downlight series, Pleiad, with the Philips Fortimo LED system. The pendant fixture, Terso, contributes to a pleasant atmosphere with its low-key design.



3.



It is when the shadows fall that the light becomes most exciting. With the right lighting, we can create spectacular outdoor environments and, at the same time, they will be perceived as safe and beautiful, regardless of seasonal changes or the time of day. In our product area, Outdoor Lighting, we have compiled our knowledge of how people react to light outdoors. New technical capabilities allow us to constantly develop new, effective solutions. We will provide more detail about some of our exciting projects on the following pages.

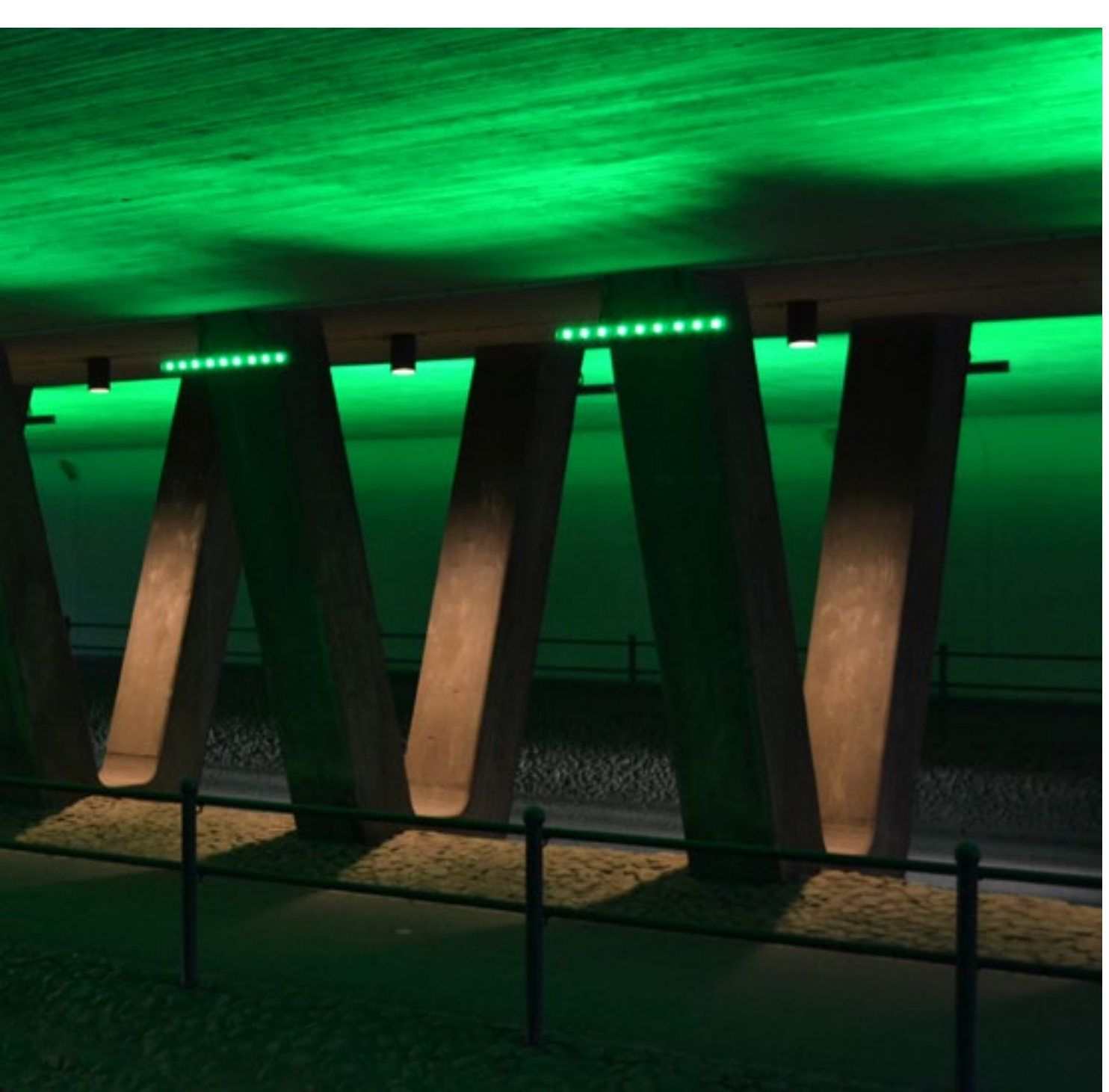


1.

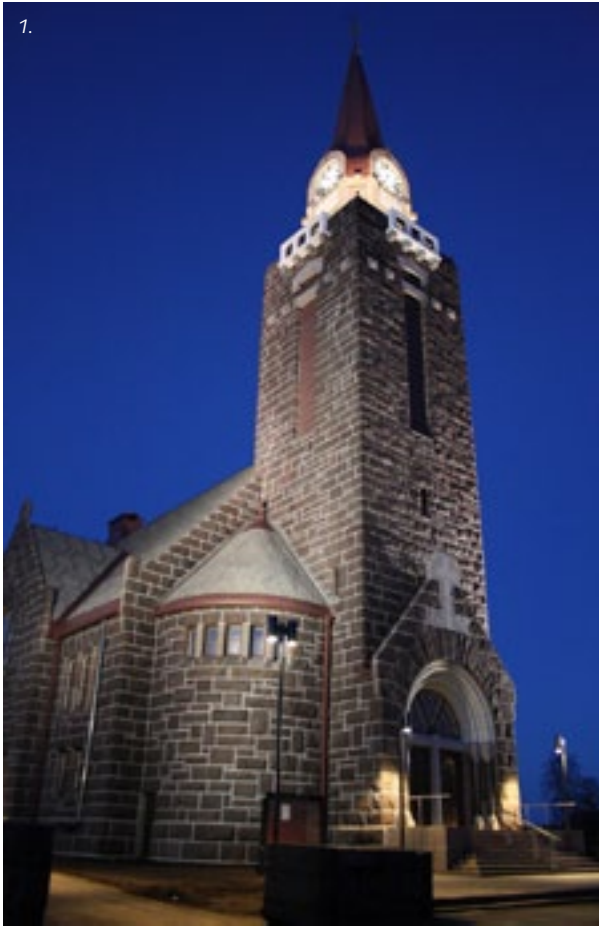


THE RIGHT LIGHTING CREATES ATMOSPHERE

1. With the right lighting, any type of outdoor area can be enhanced at any time. Insecure environments can be made safe and boring environments can be made exciting. In Hässleholm in southern Sweden, Fagerhult has helped the municipality to turn an ordinary railway bridge into pure artwork. The bridge has, prior to and in conjunction with the Municipality's 100th anniversary in 2014, received a major upgrade with modern, energy-efficient LED lighting. The fixture Liner Shield from Traxon has LED lights with colour filters in red, green and yellow, which makes it possible to create a moving light and colour show. This means that the bridge now has a much softer image and changes colours beautifully during the dark hours. As a result, the bridge is constantly reappearing in a new guise for the inhabitants of Hässleholm.



1.



DURABLE, SUSTAINABLE AND EXCITING

1. On the Finnish coast, about eight miles from Oulu, the mighty Raahen church rises majestically up, built in a national romantic style in the early 1900s by architect Josef Stenbäck. Before the 100-year anniversary in 2012, the church was renovated both on the inside and outside. Fagerhult was assigned the task of finding a solution for the external lighting environment. Now, visitors are led through the outside aisles with the minimalist design lighting bollards Slot Pole from Simes, while strategically placed Techno Spots from Simes highlight the beautiful facade of granite mined from the Ostrobothnia islands. The streets in front of the church have received a modern LED lighting retro-inspired design: Micenas from Indal.

2. “Rugged and equipped with the latest LED solutions, but also with an exciting look that fits along the walkways in both designed and wilder outdoor environments”. That’s how you can describe Ateljé Lyktan’s rusty and rough fixture, Tall. In Swedish, the name “Tall” relates to Norrbotten’s beautiful pine forests, where the bollard was first installed as part of the lighting provided to the internationally acclaimed hotel project Treehotel. The bollards’ red surface and elongated form was an elegant response to the straight trunks of the surrounding pine trees.

3. Certain environments require even more sustainable solutions. Before the summer Olympics in London in 2012, many parts of the city’s public transport were reconstructed. For example, access to Green Park underground station was completely reworked in order to meet the needs of the disabled. In conjunction with this, Fagerhult’s subsidiary, Designplan, specialised in rough and harsh environments, was assigned to find lighting solutions. At the same time, the station also needed a solution that gave it an inviting and safe atmosphere. The fixture Flair, which is both energy-efficient and easy to maintain, became an important part of the solution. The total amount of lights illuminating Green Park’s underground entrances, wheelchair ramps and ticket hall is now 300.

2.







Shopping is about emotions. All retail companies know that a positive experience is crucial for sales. We have extensive experience of the manner in which light impacts shopping behaviour and are used to identifying unique, creative solutions bringing out the best in the products and which strengthen the customers' own brands. In addition, our smart solutions reduce electricity bills and do not damage the environment. On the following pages, we present some of our projects in the product area Retail Lighting.



KNOWLEDGE CREATES THE RIGHT FEELING

1. In 1851, Moses Moss, a tailor, opened a little shop for the second hand sale of quality clothes for men. This shop was discreetly located in a corner of Covent Garden in London and was subsequently taken over by his sons, Alfred and George. Together, the sons built a British men's clothing empire. Today, Moss Bros has approximately 130 shops famous for both renting out formal wear and selling men's suits from, for example, Calvin Klein, Ted Baker and Cerruti. When the company's current concept shop on Regent Street in London was to be modernised during 2012, Fagerhult was assigned to transform its knowledge of lighting into just the right feeling in the shop. The integrated ZoneSingle was chosen as the major fixture while products from the Fagerhult-owned LTS Licht & Leuchten were chosen for accent. The classic accent lighting fixture, Marathon, was installed in the windows which created dynamic lighting in the display windows and in the fitting rooms. Pleiad downlights with reflectors were chosen to create a lighting effect which complemented the textiles in the clothes and did not cast shadows on the customers trying on the clothes.





1.



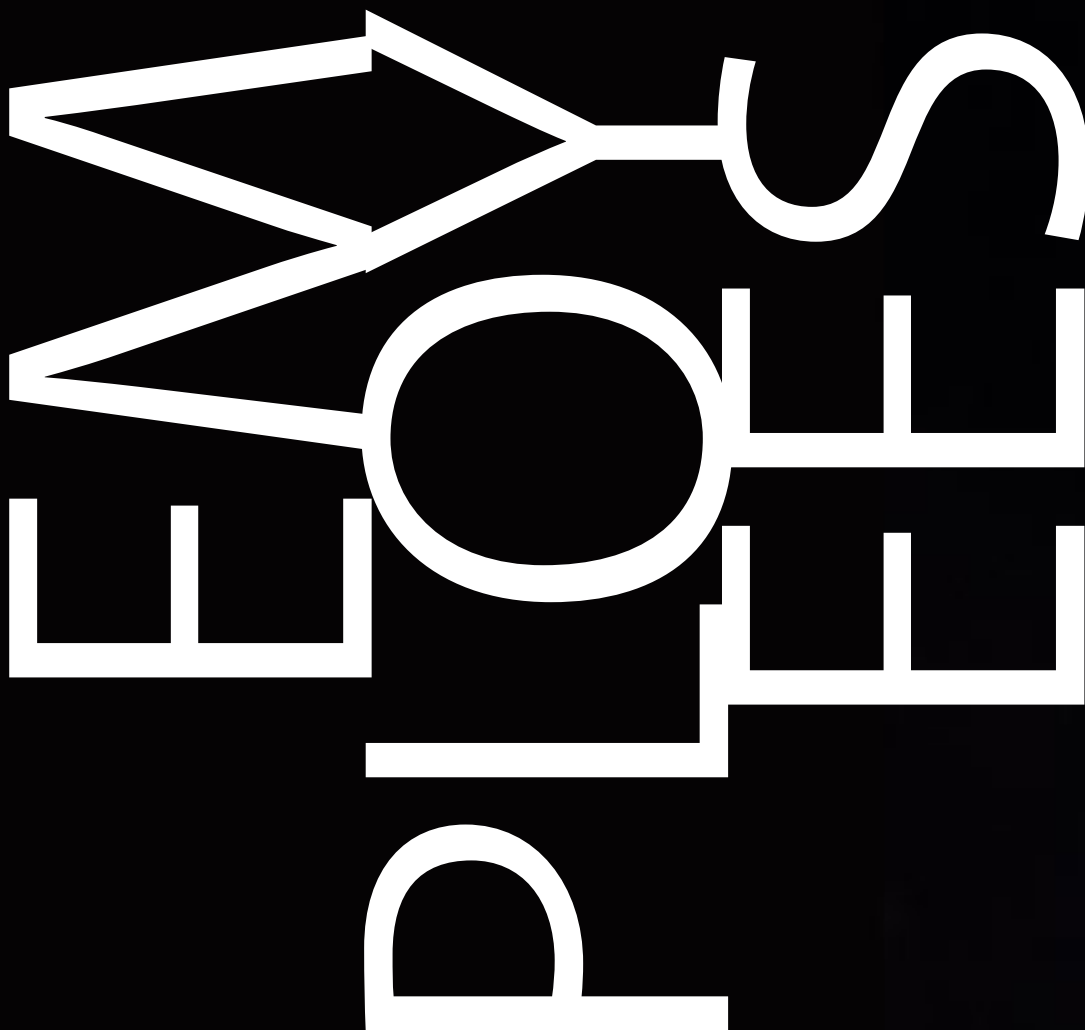
2.

THE BRAND IN THE SPOTLIGHT

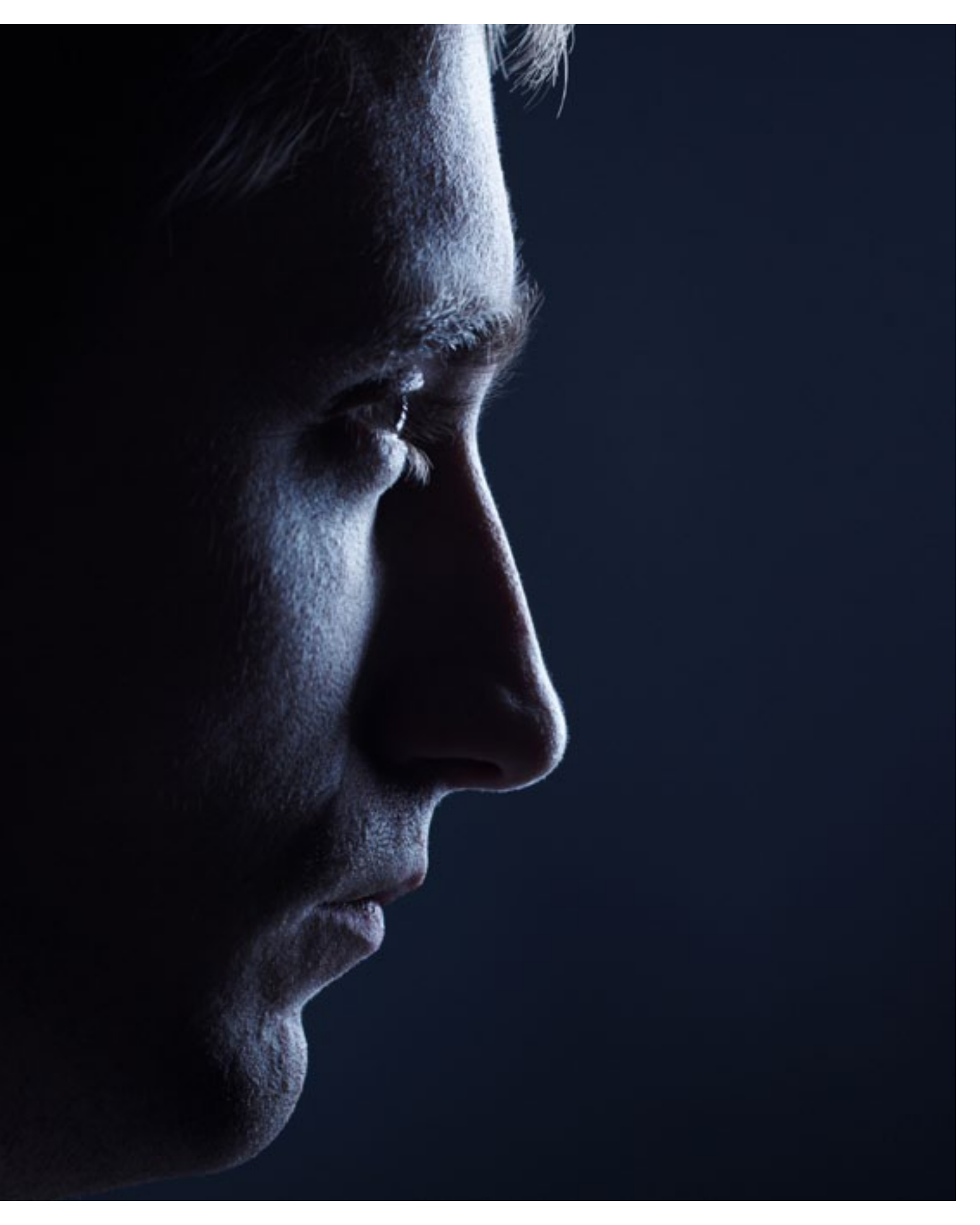
1. Elegant, sleek, clean style: These were some of the key concepts which Fagerhult was given when it was assigned to create a lighting solution for the fashion company Escada's 350 square metre major shop in the heart of Moscow. The result was a very satisfied client – the light environment reflects precisely that sense of exclusivity with which the Escada brand wants to be associated. The built-in spotlights Dip and Noc provide a perfect light over the entire sales area and in the satin and mirror covered fitting rooms, Pleiad in the LED version and Thinlights create a soft atmosphere.

2. The Swedish clothes brand, Solo, primarily known for its jeans, wanted to create a vintage feeling in their new shop concept. The interior was retro-influenced with brick walls and wrought-iron details. For Fagerhult, the challenge was to ensure that the lighting was well adapted to the interior and that it enhanced the retro feeling. The solution was the most modern lighting possible. A complete LED solution, with, amongst other things, integrated lighting in the product shelves and discreet spotlights in the ceiling rails, which strengthens both the industrial feeling and brings the focus onto the products. In addition, energy consumption was reduced to a large degree.





At Fagerhult, everything begins with our knowledge of the impact of light on people. Consequently, people are in the centre also in our internal culture: In order to succeed with our business goals, there is a requirement that we continually develop the competence of our personnel, our knowledge and our involvement. We also work hard with developing Fagerhult as an employer brand. You will find more information about our views of and goals for our personnel development in the following pages.



EMPLOYEES

Engaged personnel are key to the success of a knowledge-intensive company such as Fagerhult being able to achieve its business goals. Consequently, providing people in the organisation with the best premises for executing their jobs is a strategically important activity. Still, with more than 2,000 employees and operations in far-flung parts of the world, we must work in a structured manner in order to take care of and further strengthen our strong Fagerhult culture. This work is based on three core values: Customer Focus, Performance Culture and Innovative Mindset.

WITH STRONG VALUES AS OUR BASE

Our core values are to permeate everything we do, from business processes to product development and individual development plans. In order to maintain our strong position in terms of corporate values, we are working simultaneously on a number of fronts. For example, we are ensuring that our managers have the right tools to work with values on a day-to-day basis, but also to highlight good examples. As a part of this work, we introduced, in 2012, “portraits” of personnel on our intranet. By describing individual employees’ involvement and knowledge in an inspiring manner, we can illustrate our core values, giving them a “human” face.

OUR WORK WITH TALANT MANAGEMENT

Identifying the right person for the right work duties is a premise which helps us to identify, develop and retain just those key individuals who can help us achieve our future goals. This implies both that our personnel have the premises to execute their duties in an optimal manner and that our managers receive the appropriate support to succeed in their work. A well thought through Talent Management programme also contributes to making it clear to personnel what is expected of them in working within the Company’s operations.

AN EYE FOR TALENT

Fagerhult is a large Group with multi-faceted operations and we see our current staff as an important base for further recruitment. In order to be able to follow the development of our current talent and also identify future competency requirements, we need to undertake regular analyses and evaluations. What are our competency requirements and how can we satisfy these requirements? Through annual Talent Reviews, we identify and map the future leadership capacity already existing in the Company. This also helps us see what we need to supplement with external recruitment. Students are an important target group for recruitment. That is why we cooperate with universities and higher education institutions in a number of ways and through a variety of educational programmes, including mentorship programmes.

A DEVELOPING ENVIRONMENT

The possibility of developing as an individual can contribute to one wanting to stay put at a given workplace. We know that when individuals develop, then both creativity and pleasure in one’s work grow. This also benefits the Group. As a result, the continuous strengthening of our personnel’s com-



The modern, distinctive fixture, Tibi, which was launched in 2012, is an example of Fagerhult's employees' knowledge and creativity.

EMPLOYEES

petencies through both training and new challenges is a cornerstone in our view of personnel management. Just the very size of the Fagerhult Group, in itself, offers many different possibilities, and we encourage internal rotation. Assuming various work responsibilities in different departments and across national borders contributes to the individual's further development and ensures that he or she receives better insight into our complex flow of products and services. This also contributes to the transfer of knowledge, network building and, in addition, provides important personal experience. The goal is that all vacant positions in the Group are announced internally in order to encourage personnel to rotate to different areas/work responsibilities.

Our goal is to provide each individual recurring and structured performance follow-up dialogues through which we monitor and follow-up their development. Our knowledge centre, Fagerhult Lighting Academy, described on page 17, also plays an important role in how personnel can further develop within the Group's various companies.

GOOD LEADERS MAKE THE DIFFERENCE

By basing our leadership on the Group's core values, we can ensure that the Fagerhult culture continues to develop in a positive manner. But there is also a requirement of practical tools. Consequently, we invest significantly in educating and further developing our managers' leadership skills and in their knowledge and understanding of Fagerhult's culture. The methodology we use in this training can, then, be applied by the managers in their work with personnel at the local level. Each year, we follow up our managers' performance in order to ensure that they have the right premises and are engaged in the right activities. In order to ensure long-term stability, we also produce leadership plans which identify activities focusing on the future development and provision of managers.

FAGERHULT AND RESPONSIBILITY

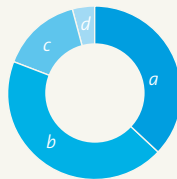
Acting responsibly, both as a Company and as individuals, is central to us. Fagerhult's guidelines for this are detailed in our Code of Conduct, which everyone in the Group is expected to follow. The Code describes, for example, our view on working relationships, diversity and equal opportunity. It also contains guidelines on the manner in which we should behave with regard to donations, corporate hospitality and sponsorship. In addition, the Code also describes our approach to environmental responsibility, and our stance regarding the differences in the laws, statutes and agreements influencing our business activities in the different countries in which we operate. We also inform our business partners of our Code of conduct and expect them to follow this Code.

No-one should be in danger in our manufacturing process. It goes without saying that our employees should have healthy working conditions. Adequate health care and good preventative health measures are important factors for our success, above all for our employees in the factories. Every year we arrange a variety of training courses to reinforce our work with health and safety. For more information, please see Fagerhult's sustainability report which is available at www.fagerhultgroup.com/sustainability

EMPLOYEES

Fig. 8

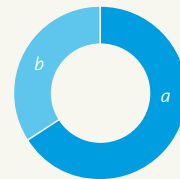
NUMBER OF EMPLOYEES PER GEOGRAPHICAL MARKET



a) Sweden: 37% b) Europe: 44%
c) Rest of the world: 15% d) Other Nordic Countries: 4%

Fig. 9

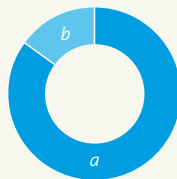
EMPLOYEES BY GENDER



a) Men: 66% b) Women: 34%

Fig. 10

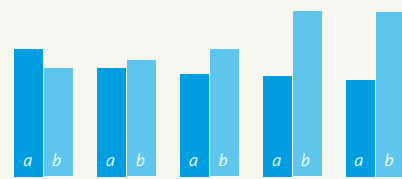
BOARD AND SENIOR MANAGEMENT BY GENDER



a) Men: 85% b) Women: 15%

Fig. 11

AVERAGE NUMBER EMPLOYED



Year	2008	2009	2010	2011	2012
a) Sweden	1,071	909	860	844	812
b) Abroad	907	972	1,066	1,384	1,380

THE FAGERHULT SHARE AND OWNERSHIP STRUCTURE

AB Fagerhult was listed on the Stockholm Stock Exchange in 1997 and was previously on the O-List. The Fagerhult share has been traded on Nasdaq OMX, Nordic Exchange, Mid Cap list, Industrial Sector since 1 October 2006. A trading unit consists of 1 share. The abbreviated name is FAG and the ISIN code is SE0000379844.

SHARE CAPITAL

Fagerhult's share capital amounts to MSEK 65.5 (65.5), distributed among 12,850,000 shares, with a quotient value of SEK 5.10 per share. The number of owned shares held by the Company amounts to 238,000, at a quotient value of SEK 1,213,800. All outstanding shares have the same amount of the Parent Company's assets and profit, and are fully paid. Each share entitles one vote.

LIQUIDITY WARRANTY AGREEMENT

An agreement has been reached with Carnegie in order to support the liquidity of the Fagerhult share within the boundaries of the Stockholm Stock Exchange system for liquidity warranties.

DIVIDEND AND DIVIDEND POLICY

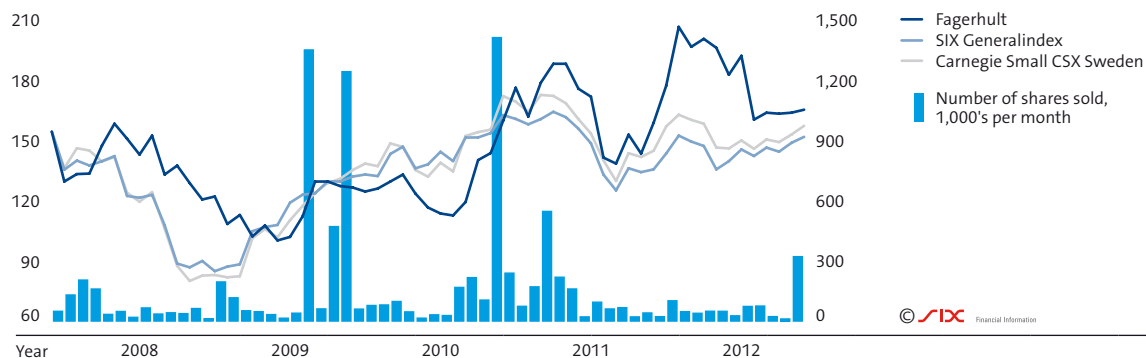
AB Fagerhult's long-term goal is to distribute dividends corresponding to 30–50 per cent of the Group's net income. At this dividend level, the Board of Directors considers itself to have satisfactory cash flow for the financing of expected future developments. The Board of Directors proposes a dividend of SEK 6.50 (6.50) per share to the Annual General Meeting, corresponding to a yield of 3.9 per cent on the share price, as of 31 December 2012.

ACQUISITION OF OWN SHARES

At the Annual General Meeting held on 24 April 2012, it was resolved that the Company would have the possibility to acquire its own shares. This opportunity was not utilised during 2012. The number of outstanding shares amounts to 12,612,000. The Board of Directors proposes that the Annual General Meeting grant the Board continued authorisation to acquire the Company's own shares until the next Annual General Meeting.

Fig. 12

FAGERHULT SHARE'S FIVE YEAR OVERVIEW



THE FAGERHULT SHARE AND OWNERSHIP STRUCTURE

SHARE TURNOVER

Year	2008	2009	2010	2011	2012
Numbers of shares sold, million	0.9	3.7	2.4	1.7	0.8
Share turnover value, MSEK	123	451	325	297	150
Average number of shares sold per trading day	3,539	14,558	9,294	7,150	3,366
Average value per trading day, TSEK	486	1,798	1,284	1,231	601
Turnover rate, %	7	28	19	14	7
Maximum price paid during the year, SEK	164.00	135.50	161.00	193.00	219.50 ¹⁾
Minimum price paid during the year, SEK	110.50	99.50	106.50	130.00	155.00 ²⁾

¹⁾ Paid 20 February 2012

²⁾ Paid 30 August 2012

DATA PER SHARE

Year	2008	2009	2010	2011	2012
Profit per share, before dilution, SEK	14.62	5.87	7.49	16.43	12.61
Dividend per share, SEK	5.50	3.00	3.50	6.50	6.50 ¹⁾
Share price as per 31 December, SEK	121	127	161	160	166
Yield, %	4.6	2.4	2.2	4.1	3.9
Equity per share, before dilution, SEK	56.00	56.88	57.25	68.52	73.57
Cash flow per share before dilution, SEK ²⁾	17.22	17.06	8.59	20.00	18.82

¹⁾ Proposed dividend

²⁾ Cash flow from operating activities

STRUCTURE (AS OF 31 DEC 2012)

Shareholder	Number of shares	% of capital and votes
Investment AB Latour	3,976,800	30.9
SÄKI AB	2,200,000	17.1
The Svensson family, foundation and company	945,525	7.4
Lannebo Fonder	868,112	6.8
SSB CL Omnibus AC, USA	721,266	5.6
Robur Småbolagsfond	518,659	4.0
SEB Asset Management	400,000	3.1
Fourth Swedish National Pension Fund	379,113	3.0
Handelsbanken Svenska småbolagsfond etc	290,509	2.3
Palmstierna family	285,770	2.2
Stiftelsen Stockholms Sjukhem	230,000	1.8
Other shareholders with 10,001–100,000 shares, 26	802,244	6.2
Other shareholders with 1,001–10,000 shares, 158	419,551	3.3
Other shareholders with up to 1,000 shares, 3,111	574,451	4.5
AB Fagerhult, re-purchased shares	238,000	1.9
Number of shares at the end of the financial year	12,850,000	100.0

THE BOARD OF DIRECTORS



JAN SVENSSON



ERIC DOUGLAS



ANNA MALM BERNSTEN



BJÖRN KARLSSON



EVA NYGREN



FREDRIK PALMSTIERNA



JOHAN HJERTONSSON



MAGNUS NELL



LARS OLSSON



PER WIKSTRÖM



LARS-ÅKE JOHANSSON

THE BOARD OF DIRECTORS

JAN SVENSSON

Chairman of the Board.
Born 1956.
Mechanical engineer; MSc.
Business and Economics.
CEO and Board Member of
Investment AB Latour. Chair-
man of the Board of Oxeon AB
and Nederman Holding AB.
Board Member of Loomis AB,
Assa Abloy AB and Tomra
Systems ASA.
Board Member of AB Fagerhult
since 2007.
Shares in AB Fagerhult: 3,000

ERIC DOUGLAS

Deputy Chairman.
Born 1968.
Economics studies. Economics
Business for Entrepreneurs at
Lund University.
Self-employed since 1992.
Partner in Pod Investment AB.
Chairman of the Board of Spar-
bössan Fastigheter AB. Deputy
Chairman of LinkTech AB. Board
member of Investment AB
Latour and Latour Industrier AB,
among others.
Board member of Fagerhult
since 1993.
Shares in Fagerhult: 40,000

ANNA MALM BERNSTEN

Born 1961.
MSc. Engineering.
Own consultancy operations
within management and
business development. Board
member of Scientific Solutions.
Board member of Cellavision
AB, Nolato AB, Matrisen AB,
Oatly AB, Birdstep ASA and
Medivir AB.
Board member of Fagerhult
since 2003.
Shares in Fagerhult: 3,000

BJÖRN KARLSSON

Born 1961.
Master of Business
Administration, MBA.
CEO of Västerhuset AB.
Board member of
Skaraborgsmäklaren AB.
Board member of Fagerhult
since 1997.
Shares in Fagerhult: 32,324

EVA NYGREN

Born 1955.
MSA, Architecture.
President and CEO of Rejler-
koncernen AB. Board member of
Svenskt Näringsliv and Uponor.
Board member of Fagerhult
since 2004.
Shares in Fagerhult: 0

FREDRIK PALMSTIERNA

Born 1946.
Master of Business
Administration, MBA.
CEO in Investment AB Latour.
Board member of Securitas AB,
Hultafors AB, Nobia AB and
Academic Work AB.
Board member of Fagerhult
since 1992.
Shares in Fagerhult: 285,770

JOHAN HJERTONSSON

CEO.
Born 1968.
MSc. Business and Economics.
Board member of Nord-Lock
International AB.
Board member of Fagerhult
since 2009.
Shares in Fagerhult: 48,280
Call options: 28,000

MAGNUS NELL

Born 1964.
Employee representative.
Shares in Fagerhult: 0

LARS OLSSON

Born 1949.
Employee representative.
Shares in Fagerhult: 200

PER WIKSTRÖM

Born 1969.
Deputy employee
representative.
Shares in Fagerhult: 0

LARS-ÅKE JOHANSSON

Born 1961.
Deputy employee
representative.
Shares in Fagerhult: 0

MANAGEMENT



JOHAN HJERTSSON

President and CEO



HÅKAN GABRIELSSON

CFO



PAUL BARTON

Head of Regional Business Areas



ANDERS FRANSSON

Head of Operations



ELISABETH BACK

Head of Products & Brands

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FIVE-YEAR OVERVIEW

Profit/loss items (MSEK)	2008	2009	2010	2011³⁾	2012
Net sales	2,770	2,436	2,506	3,023	3,085
(of which outside Sweden)	(1,919)	(1,735)	(1,805)	(2,294)	(2,302)
Costs of goods sold	-1,835	-1,672	-1,737	-2,013	-2,108
Gross profit	935	764	769	1,010	977
Selling expenses	-508	-498	-475	-534	-580
Administrative expenses	-170	-172	-155	-184	-178
Other operating income	15	10	14	26	32
Operating profit	272	104	153	318	251
Financial income	34	16	17	10	4
Financial expenses	-46	-15	-35	-42	-41
Profit after net financial items	260	105	135	286	214
Balance sheet items (MSEK)					
Intangible assets	430	475	928	1,008	975
Tangible fixed assets	289	320	350	344	339
Financial fixed assets	24	19	21	28	23
Inventories, etc.	353	302	436	453	445
Accounts receivable	391	363	448	540	495
Other current assets	33	40	79	105	89
Cash and cash equivalents	200	197	208	306	257
Total assets	1,720	1,716	2,470	2,784	2,623
Equity	706	717	722	864	928
Pension liabilities	41	42	42	83	60
Deferred income tax liabilities	58	55	63	64	60
Other non-current interest-bearing liabilities	431	459	1,006	1,169	953
Other non-current non-interest-bearing liabilities	—	9	—	—	—
Non-current interest-bearing liabilities	50	2	115	29	117
Non-current non-interest-bearing liabilities	434	432	522	575	505
Total equity and liabilities	1,720	1,716	2,470	2,784	2,623
Key ratios and data per share					
Sales growth, %	9.6	-12.1	2.8	20.6	2.1
Growth in operating profit, %	37.9	-61.7	46.7	107.7	-20.8
Growth in profit after net financial income/expenses, %	36.7	-59.7	28.6	112.8	-25.3
Operating margin, %	9.8	4.3	6.1	10.5	8.2
Profit margin, %	9.4	4.3	5.4	9.5	6.9
Liquid ratio, %	41	45	33	51	41
Net debt/equity ratio, %	46	43	132	113	94
Equity/assets ratio, %	41	42	29	31	35
Capital employed, MSEK	1,228	1,220	1,885	2,145	2,058
Return on capital employed, %	25.7	9.8	11.0	16.3	12.2
Return on equity, %	28.2	10.4	13.1	26.3	17.8
Net debt, MSEK	322	305	955	975	874
Net investments in fixed assets, MSEK	104	90	83	66	92
Depreciation of fixed assets, MSEK	63	75	84	89	85
Number of employees	1,978	1,881	1,926	2,228	2,192
Shareholders' equity per share, SEK	55.98	56.88	57.25	68.52	73.57
Earnings per share, SEK	14.62	5.87	7.49	16.52	12.61
Dividend per share, SEK	5.50	3.00	3.50	6.50	6.50 ¹⁾
Cash flow per share, SEK	17.22	17.06	8.59	20.00	18.82 ²⁾
No. of outstanding shares, thousands	12,612	12,612	12,612	12,612	12,612
Average number of outstanding shares, thousands	12,596	12,612	12,612	12,612	12,612

¹⁾ Proposed dividend

²⁾ Cash flow from operating activities.

³⁾ The figures for 2011 have been adjusted due to changes in accounting principles.

ADMINISTRATION REPORT

The Board of Directors and CEO of AB Fagerhult (publ), Corporate Identity Number 556110-6203, hereby present the Annual Report for the Group and the Parent Company for the year 2012.

OPERATIONS

The Fagerhult Group is Scandinavia's largest, and one of Europe's leading, lighting groups. We develop, manufacture, and market professional lighting systems for public environments with a focus on design, function, flexibility and energy-efficient solutions. The Group has sales companies in 20 countries and manufacturing facilities in Europe, China and Australia.

Fagerhult's shares are listed on the NASDAQ OMX, Nordic Exchange, Mid Cap list in Stockholm.

CHANGES IN THE GROUP

During 2011, the Group acquired a total of 100% of the shares of Designplan Lighting Ltd (Designplan), with its registered offices in Sutton, UK. The company has been consolidated in the Group as of the second quarter of 2011. No changes have occurred in 2012.

SALES AND INCOME

During the year, a decline in economic activity occurred in most markets as a result of the macroeconomic turmoil and debt crisis that characterised large parts of Europe during 2012. During large parts of the year, demand has been stable within Indoor Lighting and Outdoor Lighting in the majority of our geographic markets. Still the market for Retail Lighting weakened during the year.

Net sales for the Group amounted to MSEK 3,085 (3,023). Adjusted for acquired operations and currency effects, sales increased by 6.3%. Sales outside Sweden accounted for MSEK 2,302 (2,294), which corresponds to 75 (76) % of the Group's net sales.

The order intake for the Group amounted to MSEK 3,122 (3,064). Adjusted for acquired operations and currency effects, order intake increased by 2% compared to 2011. Operating profit fell to MSEK 251.5 (317.2). Operating margin was 8.2 (10.5)%. The decline was a result of a weaker economic climate within Retail Lighting, with lower sales and operating margins. Earnings in 2012 were also affected by the Group's continued investments within product development in order to secure a beneficial position in the context of the technological shift towards LED.

Sales for Indoor Lighting have been positive for most of the year and increased by 4%. As a result of lower demand, Retail Lighting sales decreased by 6% to MSEK 802 (849). Outdoor Lighting sales increased by 11%, to MSEK 219 (197).

BUSINESS AREAS

In conjunction with the establishment of a new strategy for the Fagerhult Group in 2010, it was determined that the oper-

ational management structure should be adjusted accordingly. Fagerhult has chosen to divide its operations into four business areas based on geographical regions, as well as one business area covering other activities:

- Northern Europe
- Great Britain, Ireland and the Middle East
- Other Europe
- Asia and Australia
- Other

In accordance with IFRS 8, the external reporting has been adapted so that the segment reporting reflects the Group's operative leadership structure. The reporting procedure also includes disclosures regarding the development of the previous business areas: Indoor Lighting, Retail Lighting, and Outdoor Lighting.

NORTHERN EUROPE

This business area comprises our units and companies in the Nordic and Baltic countries, and in Russia. In addition, there is also the factory in China which engaged in manufacturing and purchasing. Development, production and sales are conducted in Sweden, whereas operations in other markets, except for China, refer only to sales.

Net sales for 2012 amounted to MSEK 1,686, compared with MSEK 1,624 in the previous year. Adjusted for currency effects, the increase was 4%. The operating margin was 5.9 (7.4) %. The majority of the Group's currency effects are incurred in Northern Europe, which explains most of the decline in operating profit. Growth was good in Sweden, Norway and Russia.

GREAT BRITAIN, IRELAND AND THE MIDDLE EAST

This business area comprises our companies in England and Ireland, as well as operations in the Middle East. The dominant unit is Whitecroft Lighting, which engages in the development, manufacture and sale of lighting systems. The business area also includes the company Designplan Lighting Ltd, which was acquired during 2011. Other units are engaged in sales operations.

Sales for 2012 amounted to MSEK 832, compared with MSEK 744 in the previous year, and the operating margin amounted to 9.3 (9.4) %. Adjusted for acquired operations and currency effects, sales increased by 11%. A significant part of the increase, in absolute terms, has occurred in the UK. The highest growth rate was, however, in the Middle East, where sales growth has been very good.

OTHER EUROPE

This business area includes operations in Germany, the Netherlands, France, Spain, Austria and Poland. The dominant unit in the segment is the company, LTS Licht & Leuchten, in Germany, which engages in the development, manufacture and sale of lighting systems.

Sales for 2012 amounted to MSEK 651 (753) and the

ADMINISTRATION REPORT

operating margin was 9.4 (16.5) %. Adjusted for currency effects, sales decreased by 11%. The decrease in the operating margin was a result of lower volumes, price pressure and a negative product mix.

ASIA AND AUSTRALIA

This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken. Operations in Asia refer to sales on the Chinese market. During 2011, a sales company in New Zealand was established.

Sales for 2012 amounted to MSEK 228 (208), which, when adjusted for currency effects, comprised an increase of 5% compared to 2011. The operating margin was 12.0 (9.1) %. The earnings trend is a result of the positive development of volumes and good cost control.

FINANCIAL POSITION

The Group's equity/assets ratio at year-end was 35 (31) %. Cash and bank balances at the end of the period amounted to MSEK 257 (306) and the Group's equity totalled MSEK 928 (864). Net debt amounted to MSEK 874 (975).

In recent years, the exposure of the Group's net assets outside Sweden has increased and, from previously referring only to sales companies, it now also concerns the production units. Translation of net foreign assets at the closing rate has resulted in a decrease of equity by MSEK 26.2 (+6.7).

Cash flow from operating activities decreased by MSEK 15 to MSEK 237 (252). Working capital has decreased by MSEK 25 since the beginning of the year, which is primarily attributable to accounts receivable.

Pledged assets and contingent liabilities amounted to MSEK 6.9 (7.1) and MSEK 3.6 (3.9), respectively, at year-end.

EMPLOYEES

During 2012, the average number of employees decreased by 2 per cent to 2,192 (2,228). Adjusted for acquired units, the average number of employees remained unchanged. The number of employees in the Group's foreign companies amounted to 1,380 (1,384), which corresponds to 63 (62) % of the total number of employees. The proportion of women amounted to 34 (36) %. In order to strengthen the Group's knowledge capital, the company has continued to focus on establishing goals for the development both individual personnel and the organisation as a whole.

In order to reduce absence due to illness and ill health, the company's health care has focused on preventative measures and healthy living. For information on salaries and remuneration, refer to Note 2.

GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT

Remuneration to the CEO and other members of senior management consists of base salary, variable remuneration,

company car benefits and pension benefits. Annual variable remuneration is based on achieved goals and is maximised at 30–50 % of the base salary. These guidelines are also proposed for future years.

In 2012, a long-term incentive scheme was introduced, in the form of a performance-based share savings plan for senior management that runs between the years 2012–2015. It is intended that this plan will be the first of three annual share savings plans.

The Board also proposes that the Annual General Meeting resolves on a performance-based share savings plan for the CEO and senior management to be in effect between 2013–2016. For further information, refer to the material enclosed with the notice of the Annual General Meeting and to Note 2.

INVESTMENTS

As regards tangible fixed assets, the Group's gross investments totalled MSEK 94 (76), primarily referring to machinery and equipment. As regards investments in new subsidiaries, no such investments have been undertaken during the year, MSEK 0 (128).

At year-end, current investments amounted to MSEK 4. Gross investments in intangible fixed assets amounted to MSEK 9 (6), excluding the acquisitions of subsidiaries.

Depreciation/amortisation for the year amounted to MSEK 85 (89), of which tangible fixed assets constituted MSEK 72 (75).

PRODUCT DEVELOPMENT

Within the Fagerhult Group, continual product development is undertaken, with the aim of improving existing products, as well as developing new products. A basic principle is that development work should take place near the markets in cooperation with customers and end-users. Fagerhult is also prominent within lighting technology from an international perspective. Cooperation with the leading manufacturers of light sources and components is essential. Fagerhult's engineering centre, TeknikCentrum, includes one of Northern Europe's best equipped laboratories, where we can both test the safety of, and approve, our products.

Development costs of MSEK 8 (5) were capitalised in the balance sheet for the year. Other costs are expensed as they arise, see Notes 10 and 25.

ENVIRONMENTAL IMPACT

The Group's operations impact the external environment primarily through the evaporation of organic solvents into the air, and through noise pollution. During several years, targeted efforts have been undertaken to minimise the environmental impact, including the introduction of new coating facilities using alkaline washing processes and closed systems. Since 2010, the Group's Swedish plants have had very low emissions of CO₂ as they have been heated with heat from district heating plants mainly fuelled by biomass and all electricity has been generated through hydropower.

ADMINISTRATION REPORT

All of the Company's remaining production facilities, except those in Australia, Sutton in England and in Germany, are environmentally certified according to ISO 14001.

Further information is provided in the section regarding the Group's sustainability work.

ACQUISITION OF OWN SHARES

The Annual General Meeting, held on 24 April 2012, authorised the Company to acquire its own shares. No acquisitions of the Company's own shares have been made. The Company's holding of own shares amounts to 238,000. The total number of outstanding shares was 12,612,000 at year-end. The Company owns 1.9 per cent of its own shares.

The Board of Directors proposes that the Annual General Meeting resolve to grant the Board continued authorisation, until the next Annual General Meeting, to acquire the Company's own shares. As acquired shares do not provide an entitlement to dividends, they are excluded from the total number of shares in the proposed appropriation of profits stated below.

RISKS

A review of potential risks, including the manner in which these are managed, is found in Note 32.

THE FAGERHULT SHARE

There are no limitations on the transferability of shares (pre-emption). Nor are there any limitations as to the number of votes which each shareholder can exercise at the Annual General Meeting of shareholders. The Company is not aware of any agreements between shareholders which could involve limitations on the right to transfer shares.

For further information, refer to page 48, The Fagerhult Share and Ownership Structure.

APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD

There are no specific regulations in the Articles of Association regarding the appointment or removal of members of the Board.

PARENT COMPANY

Operations in AB Fagerhult consist of the management of the Group, the financing and coordination of marketing activities, production and business development. The Company's net sales amounted to MSEK 8.7 (10.5). Profit after financial items amounted to MSEK 54.8 (78.1).

There were 5 (6) employees during the period.

PROSPECTS FOR 2013

In recent years, the Group has experienced a strong sales and earnings trend as a result of favourable organic growth, but

also through a series of acquisitions. This strategy remains unchanged and the Group will continue on this path within product development and marketing, as well as increased internationalisation.

Implemented restructuring measures, the acquisition of LTS Licht & Leuchten and Designplan, as well as an improving economy, create continued positive opportunities for long-term improvements in earnings. Fagerhult is, however, affected by the general economic climate. The market for Retail Lighting weakened during the year, which had a negative impact on operating profit. During the fourth quarter, the downturn also affected Indoor Lighting to a greater extent. The Group believes that the economy will remain weak for much of 2013.

PROPOSED APPROPRIATION OF PROFITS

The Group's profit brought forward, according to the consolidated balance sheet, was MSEK 790.2 (700.3).

The following profits are at the disposal of the Annual General Meeting (MSEK):

Profit brought forward	109.6
Net profit for the year	39.2
Total	148.8

The total number of dividend-bearing shares on 7 March 2013 amounted to 12,612,000, excluding repurchased shares. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders, SEK 6.50 per share	82.0
To be carried forward	66.8
Total	148.8

BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED DIVIDEND

It is the opinion of the Board of Directors that the proposed dividend will not prevent the Company from fulfilling its short or long-term obligations, nor will it prevent the Company from making necessary investments. The proposed dividend can, therefore, be justified in accordance with the provisions of the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3.

Considering that the operations of the Company continue to be profitable, the equity/assets ratio is at a satisfactory level. It is the Company's assessment that liquidity can be maintained at a similarly satisfactory level.

ADMINISTRATION REPORT

Fig. 13

SALES

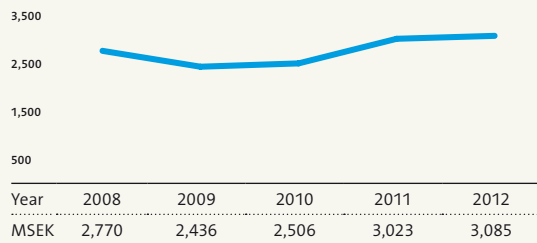


Fig. 14

OPERATING PROFIT

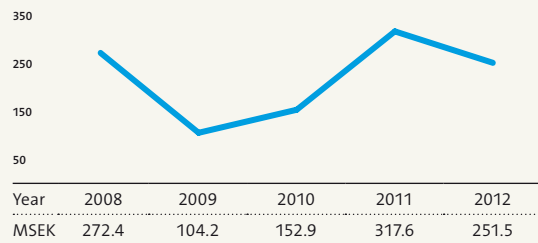


Fig. 15

OPERATING MARGIN

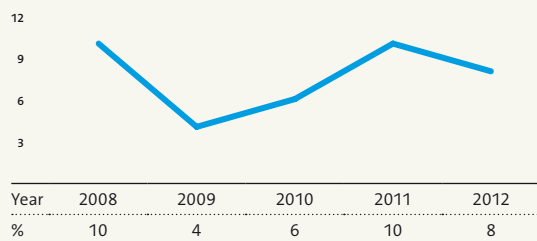


Fig. 16

EARNINGS PER SHARE

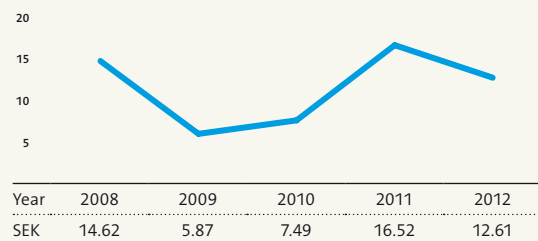


Fig. 17

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

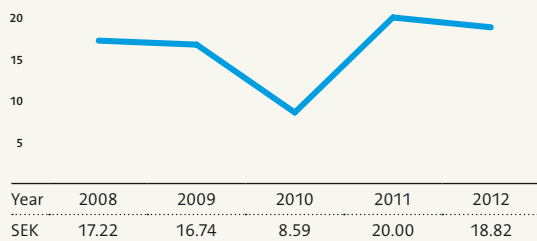
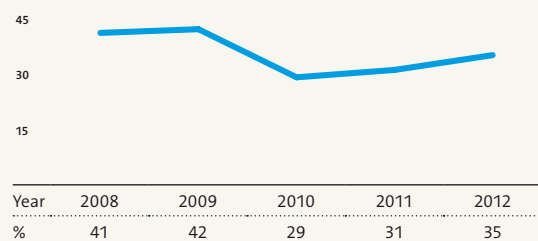


Fig. 18

EQUITY/ASSETS RATIO



CORPORATE GOVERNANCE

Fagerhult has applied the Swedish Code for Corporate Governance since 1 July 2008, in accordance with the listing requirements of the NASDAQ OMX Nordic Exchange.

SHAREHOLDERS FAGERHULT'S OWNERS

The Company's share has been listed on the Mid Cap list of the NASDAQ OMX, Nordic Exchange in Stockholm since May 1997.

By the end of 2012, AB Fagerhult (publ) had approximately 3,326 shareholders. The largest individual owners are Investment AB Latour and SÄKI AB, of which the Douglas family is the majority owner. Together with their own holdings, the Douglas family, directly or indirectly, controls 49.0 (49.0) per cent of the share capital and votes in the Company. The eight largest owners represent 79.4 (76.5) per cent of the share capital and votes. Foreign owners' shares amounted to 13.0 (12.4) per cent. For more information regarding the major shareholders in the Company, share price trends, etc., refer to the Fagerhult Share and Ownership Structure, pages 48–49 and note 30.

ARTICLES OF ASSOCIATION

AB Fagerhult's (publ) Articles of Association stipulate, amongst other things, that the Company's operations are to be comprised of the production and sale of lighting fixtures, owning and managing property and undertaking related business activities.

The Board of Directors is to comprise a minimum of three, and a maximum of ten, Board members with a maximum of four deputy Board members.

There are no specific provisions in the Articles of Association for the appointment or dismissal of Board Members.

In addition, the trade unions have the right to appoint two Board members and two deputy Board members to the Board of Directors. The Board of Directors' registered offices are to be located in the Municipality of Habo, in the County of Jönköping.

The audit is to be executed by one or two auditors, with or without deputy auditors, or by an authorised accounting firm.

ANNUAL GENERAL MEETING

The Annual General Meeting shall be held no later than six months after the end of the financial year. The Annual General Meeting may be held in Fagerhult, Habo or Jönköping. All shareholders who, prior to the Annual General Meeting, are registered in the shareholders' register, and who have notified the Company of their wish to participate, may do so

and may vote in accordance with their total shareholdings.

At the Annual General Meeting, questions concerning dividends, the Annual Report, the appointment of Board members and – in applicable cases – auditors, remuneration to the Board of Directors and the auditors, and other matters relevant to the Annual General Meeting, will be discussed.

ANNUAL GENERAL MEETING 2012

The 2012 Annual General Meeting was held on 24 April in Habo. A total of 45 shareholders were present at the meeting, representing 72.3 per cent of the votes. Minutes from the Annual General Meeting can be found on Fagerhult's website. All resolutions were made with the required majority. Below is a selection of the resolutions passed at the meeting:

- Resolution on the distribution of a dividend of SEK 6.50 per share.
- Anna Malm Bernsten, Eric Douglas, Björn Karlsson, Eva Nygren, Fredrik Palmstierna, Johan Hjertonsen, and Jan Svensson were re-elected to the Board of Directors. Jan Svensson was re-elected Chairman.
- Gustaf Douglas, Jan Svensson and Björn Karlsson were re-elected to the Nomination Committee. These individuals were granted the authority to appoint one or two new members.
- The Annual General Meeting resolved to introduce a performance-based share savings plan for senior management.
- The Annual General Meeting granted the Board of Directors authorisation to repurchase the Company's own shares, corresponding to a maximum of 10 per cent of total share capital, for the period until the date of the next Annual General Meeting.

THE BOARD OF DIRECTORS

The Board of Directors determines issues concerning the Group's strategic alignment, finances, investments, acquisitions, sales, organisational matters and rules and policies. The Board of Directors is kept abreast of the Company's operations through monthly reports provided by the Company management.

NOMINATION PROCEDURE

A Nomination Committee is formed each year on the initiative of the Chairman of the Board of Directors, and is subsequently appointed at the Annual General Meeting. The Committee shall comprise representatives of major shareholders in the Company. Board members can also serve as members of the Committee, but may not constitute a majority. The

CORPORATE GOVERNANCE

Chairman of the Board of Directors cannot serve as Chairman of the Nomination Committee.

The Nomination Committee for the 2012 Annual General Meeting is comprised of Gustaf Douglas (Chairman), Jan Svensson, Björn Karlsson and Göran Espelund, Lannebo Fonder.

The work of the Nomination Committee takes place during the end of the financial year and at the start of the new financial year. Prior to an Annual General Meeting at which auditors are to be elected, the Nomination Committee shall work together with the Audit Committee, which works with the evaluation of the work of the auditors. The Nomination Committee shall observe the regulations applied to independent members of the Board, according to the Swedish Code of Corporate Governance.

BOARD MEMBERS

The Board of Directors currently consists of seven members elected by the Annual General Meeting of shareholders, as well as two Board members and two supplementary members chosen by the trade unions. Four (4) of the Board members represent holdings equivalent to 59 (59) per cent of the Company's share capital and votes. The CEO is one of the members elected at the Annual General Meeting. With the exception of the trade union representatives, the CEO is also the only Board member employed by the Company. Company employees participate in Board meetings in a reporting capacity. The Company's CFO serves as the Board's secretary.

For further information concerning the Board members elected at the Company's Annual General Meeting, refer to the section concerning the Board of Directors on pages 50–51 of this Annual Report.

BOARD OF DIRECTORS' INDEPENDENCE

According to the Code's definition, the majority of Fagerhult's Board members are independent, see table on page 61. Note that the Chairman of the Board, Jan Svensson, and Fredrik Palmstierna, are not considered independent as they represent the Company's main owners in their roles as Managing Director and Chairman for Investment AB Latour, respectively. Eric Douglas represents the Douglas family. With the exception of the President and CEO, Johan Hjertonsson, the Board's members are not employed in the Group. The Nomination Committee's assessment as regards whether any proposed Board member meets independence requirements is reported in conjunction with the Nomination Committee's proposal. The CEO has no significant shareholdings or ownership in companies having significant business connections with the companies within the Fagerhult Group.

THE WORK OF THE BOARD

The Board's work is regulated by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board.

The Board's work plan contains, amongst other things, rules stipulating the number of Board meetings which are to be held each year, the issues to be addressed in the meetings, and the division of duties between the Board of Directors and the CEO. These duties and the obligation of the CEO to report to the Board are regulated in the terms of reference to the CEO.

Normally, five Board meetings are held each year and one Board meeting is held following the election of the Board. Four of these meetings address quarterly reports and the year-end report. At least one of the Board meetings takes place in conjunction with a visit to, and an in-depth review of, one of the Group's companies. Additional time is assigned to one Board meeting per year and at this meeting a specific focus is placed on strategic issues. The auditor of the Company is present at Board meetings at least twice a year. Notices and supporting documents are sent to the Board one week in advance of the Board meetings. When issues are to be decided upon, the Board usually receives supporting documents concerning these issues well in advance.

The Board appoints two different committees annually – the Audit Committee and the Remuneration Committee. The aim of these committees is to enhance and facilitate the Board's work, and to address matters related to each area.

THE WORK OF THE BOARD 2012

The Board has met five times during the year, as well as holding one meeting following the election of the Board. One to three members of the Board have been absent at two of the Board meetings. All members of the Board have been present at the other meetings. The Company's auditor was present at one of the Board meetings. This was the Board meeting during which the annual accounts were presented, and during which the auditor submitted his opinion. Important issues dealt with this year were, amongst others:

- The overall and long-term aims of the Company
- The strategic focus of the operations
- Business plans, financial plans and forecasts
- Major investments and acquisitions/disposals of operations
- The Group's organisation
- Capital and financing issues
- Policies and instructions
- Interim reports and annual financial statements
- Reports by the Board's committees
- Follow-up of external audit

CORPORATE GOVERNANCE

EVALUATION OF THE WORK OF THE BOARD

The Board will ensure that its work is continuously evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. The process includes, amongst other things, a questionnaire in which the members of the Board have the opportunity to express their opinion of the Board's work and to provide proposals concerning the manner in which the plan can be improved.

The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods.

THE AUDIT COMMITTEE

The main task of the Audit Committee is to audit the Group's accounting and financial reporting, as well as to remain in continuous contact with the auditors and review their work plan and their remuneration. The Committee shall, furthermore, assist the Nomination Committee in its choice of auditors and remuneration prior to the Annual General Meeting at which the election of auditors takes place.

The Audit Committee is comprised of the entire Board, except for the CEO. Over the year, the Committee has had one meeting with the Company's auditor. At the meeting, all Board members were present.

THE REMUNERATION COMMITTEE

The work of the Remuneration Committee, on behalf of the Board, is to prepare and negotiate issues concerning the salary and other remuneration to be provided to the CEO, and to approve the CEO's proposal for salaries for the other members of Group Management. Its tasks also include supervising the remuneration to be provided to the Board members in the event that they are engaged by the Company's Board as consultants. The Committee also deals with

any Group-wide bonus system and option programmes.

Decisions concerning remuneration for the CEO and other leading officers in Group Management are resolved upon by the Board. The Committee has had one meeting over the past year, at which all Board members were present.

The Remuneration Committee consists of Jan Svensson (Chairman of the Board), Eric Douglas (Deputy Chairman of the Board) and Eva Nygren.

REMUNERATION TO THE BOARD

Remuneration to the members of the Board is determined annually at the Annual General Meeting. No remuneration is provided to those members of the Board employed by the Company. No specific remuneration is provided for work performed in the committees, apart from the ordinary Board fees.

At the Annual General Meeting on 24 April 2012, total fees for the members of the Board were determined at an unchanged amount of SEK 1,500,000 (1,500,000), implying that the Chairman of the Board is paid SEK 400,000, the Deputy Chairman of the Board, SEK 300,000 and other members of the Board, SEK 200,000 each.

AUDITORS

At the Annual General Meeting of shareholders in 2012, Öhrlings PricewaterhouseCoopers was elected auditor, with Bo Karlsson as Auditor-in-Charge. Bo Karlsson is in charge of larger audit assignments, such as Investment AB Latour and Assa Abloy. At present, he has no assignments affiliated with any major owner of Fagerhult or with the CEO.

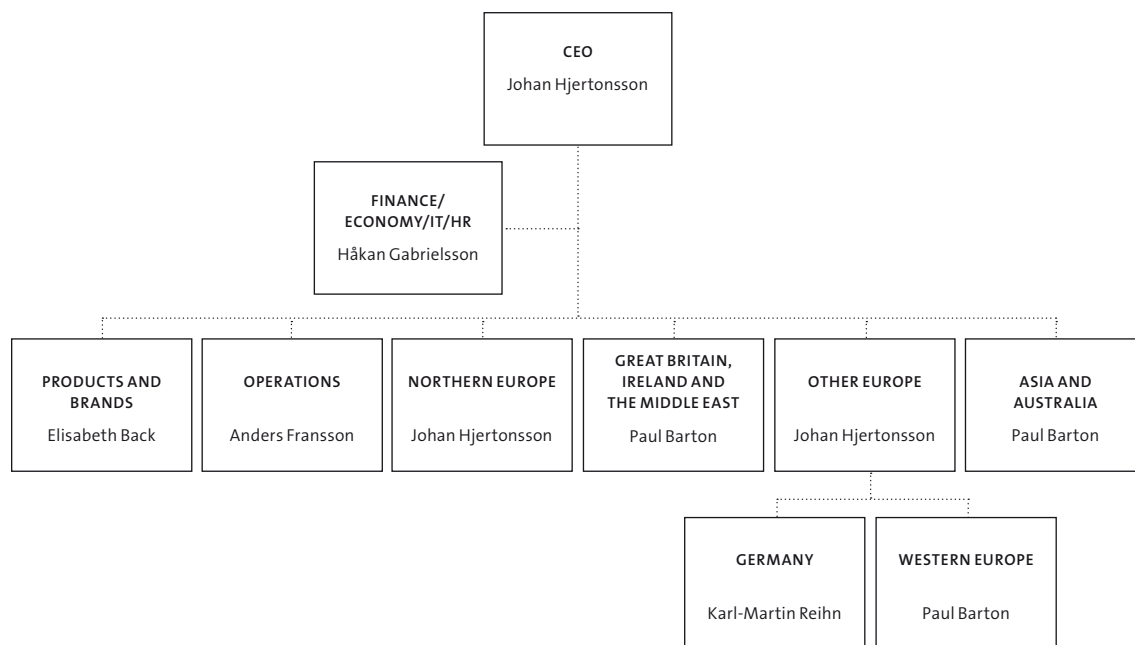
At the Board meeting in February 2013, the auditor personally presented his report to the Board regarding the audit assignment and also regarding internal control within the Group.

The auditing of the Group's worldwide companies is coordinated by Öhrlings PricewaterhouseCoopers. All of the

Board of Directors elected by the Annual General Meeting	Elected	Born	Remuneration	Number of shares/votes	Independent in relation to the owners	Independent in relation to the Company	Participated in number of meetings
Chairman, Jan Svensson	2007	1956	400,000	6,179,800 *)	No	Yes	5
Deputy chairman, Eric Douglas	1993	1968	300,000	40,000 *)	No	Yes	5
Board Member, Anna Malm Bernsten	2003	1961	200,000	3,000	Yes	Yes	4
Board Member, Björn Karlsson	1997	1961	200,000	945,525 *)	Yes	Yes	5
Board Member, Eva Nygren	2004	1955	200,000	—	Yes	Yes	4
Board Member, Fredrik Palmstierna	1992	1946	200,000	285,770 *)	No	Yes	5
CEO, Johan Hjertönsson	2009	1968	—	48,280	Yes	No	5
Total			1,500,000	7,502,375 (59%)	4 (57%)	6 (86%)	5

*) Sum of own holdings, directly or indirectly, and as representative for owners.

CORPORATE GOVERNANCE



activities of companies with a significant scope of operations are audited by PricewaterhouseCoopers in the country in question. For a number of smaller companies, the operations are audited by other accounting firms.

THE GROUP'S OPERATIONAL GOVERNANCE 2012 MANAGEMENT GROUP

Internationalisation, a clear division of responsibility for results, resource optimisation and growth platforms are guidelines for the composition of the Group's Management Group. Group Management consists – apart from the CEO – of one manager in charge of the respective Business Areas, responsible for results, regions, and coordination tasks, two individuals with the functional responsibility for marketing work, product development and production, and one manager in charge of the staff functions finance/economy/IT/HR. Group Management holds a minimum of six meetings per year to review results, the Company's situation and strategic and operational issues. One meeting per year is somewhat longer in duration. The Company's activities are planned and discussed in greater detail at this meeting.

In conjunction with the establishment of a new strategy for the Fagerhult Group in 2010, it was determined that the operational management structure should be adjusted accordingly. Fagerhult has chosen to divide its operations into four business areas based on geographical regions, as

well as one business area covering other activities:

Northern Europe. This business area comprises our units and companies in the Nordic and Baltic countries, and in Russia. In addition, there is also the factory in China, engaged in manufacturing and purchasing. Development, production and sales are conducted in Sweden, whereas operations in other markets, except for China, refer only to sales.

Great Britain, Ireland and the Middle East. This business area comprises our companies in England and Ireland, as well as operations in the Middle East. The dominant unit is Whitecroft Lighting, which engages in the development, manufacture and sale of lighting systems. The business area also includes the company Designplan Lighting Ltd, which was acquired during 2011. Other units are engaged in sales operations.

Other Europe. This business area includes operations in Germany, the Netherlands, France, Spain, Austria and Poland. The dominant unit in the segment is the company, LTS Licht & Leuchten, in Germany, which engages in the development, manufacture and sale of lighting systems.

Asia and Australia. This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken. Operations in Asia refer to sales on the Chinese market. During 2011, a sales company in New Zealand was established.

Other. This business area is mainly comprised of the Parent Company and certain Group-wide functions.

CORPORATE GOVERNANCE

PRODUCT AREAS

Fagerhult's operational subsidiaries engage in operations within three product areas – Indoor Lighting, Retail Lighting and Outdoor Lighting.

The specification of the operations per product area is based on the differences in the sales procedures and the manner in which customer requirements are fulfilled, such as the application environment, product concept and service level.

MANAGEMENT OF SUBSIDIARIES

The operations in the subsidiaries are managed by the respective Boards of Directors. The Boards of the subsidiaries are comprised of the Manager responsible for the subsidiary, at least one Business Area Manager and, in most cases, the CEO of the Parent Company.

A formal work plan is established each year for each subsidiary, in which responsibilities, authorisations and work procedures for the Board are regulated.

STAFF FUNCTIONS

The Parent Company AB Fagerhult (publ) includes Group management and staff functions for the co-ordination of financing, marketing, production and IT.

INTERNAL CONTROL AND FINANCIAL REPORTING

The basis for the internal control as regards financial reporting is related to the control environment for the organisation, the decision-making processes, the authorisations and responsibilities that have been documented and communicated in the governance documents. The allocation of work between the Board and CEO, in addition to the instructions for authorisation rights, as well as accounting and reporting instructions, are examples of such internal control activities.

The risks that have been identified as regards financial reporting are managed through the control structure of the Group.

With the aim of ensuring completeness and correctness in the financial reporting, governance documentation regarding these areas has been provided to the employees concerned. The effectiveness of these governing guidelines, and compliance with them, is followed-up, both through programmed controls and through routines implemented by the personnel. The Group has a common reporting system in which all reporting takes place. Regular visits by the Group's management are paid to the subsidiaries, during which financial follow-ups are undertaken, and control activities are also further developed.

The Board and Company management have determined

not to establish a specific control function in the form of an internal audit in the Fagerhult Group. The Group Finance Department continually monitors compliance with the Company's governance model, reporting principles and policies. The Finance Department conducts on-going analyses of the Company's reporting and financial results in order to ensure continued development.

Discussions with the Company's external auditors regarding the focus and organisation of the activities executed within the audit, and how the auditing firm's services and working methods are organised provides a large degree of assurance. In addition, the controls carried out by Group management together with the established control functions in the various Business Areas also provide a high level of insight into the control situation. These two factors, combined, imply that no separate internal audit is considered necessary.

The Board receives monthly financial reports and the Group's financial situation is addressed at each Board meeting.

FINANCIAL INFORMATION

Fagerhult continuously informs the market concerning the Group's development and financial position.

INTERIM REPORTS

An interim report is produced after each completed quarter. The report issued after year-end is designated the year-end report. These reports are submitted within two months of the end of the period in question.

ANNUAL REPORT

The annual report, together with a description of the Company's operations and a comprehensive account of the Company's activities during the past year, is delivered at the end of March each year.

PRESS RELEASES

Press releases provide information regarding significant business events, such as the acquisition and disposal of companies, major orders, significant changes and similar events, in conjunction with the event in question taking place.

PRESENTATIONS AND ANALYST MEETINGS

The Company's management remains in continuous contact with analysts and shareholders. Such contact is primarily carried out through smaller meetings with individual shareholders or analysts, during which the Company's operations are presented.

INCOME STATEMENTS

MSEK	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Net sales	1	3,085.1	3,022.8	8.7	10.5
Cost of goods sold		-2,107.6	-2,013.2	—	—
Gross profit		977.5	1,009.6	8.7	10.5
Selling expenses		-579.9	-534.2	-6.5	-8.4
Administrative expenses		-177.7	-184.3	-19.0	-20.9
Other operating income		31.6	26.5	—	—
Operating profit	2, 7, 19–26	251.5	317.6	-16.8	-18.8
Financial income and expenses					
Income from shares in subsidiaries	6	—	—	89.1	115.4
Interest income and similar profit/loss items	3	3.9	10.0	0.8	0.1
Interest expenses and similar profit/loss items	4	-41.5	-41.2	-18.3	-18.6
Total financial items		-37.6	-31.2	71.6	96.9
Profit after financial items		213.9	286.4	54.8	78.1
Changes in tax allocation reserve		—	—	-8.6	—
Tax on profit for the year	8, 9	-54.8	-78.1	-7.0	-14.0
Net profit for the year		159.1	208.3	39.2	64.1
Net profit for the year attributable to Parent Company shareholders		159.1	208.3		
<i>Earnings per share calculated on profit attributable to Parent Company shareholders during the year</i>					
Earnings per share before dilution, SEK		12.61	16.52		
Earnings per share after dilution, SEK		12.61	16.52		
Average no. of shares before dilution, thousands		12,612	12,612		
Average no. of shares after dilution, thousands		12,612	12,612		
No. of outstanding shares, thousands		12,612	12,612		

STATEMENT OF COMPREHENSIVE INCOME

Net profit	159.1	208.3
<i>Other comprehensive income</i>		
Translation differences	-26.2	6.7
Actuarial gains / losses	11.8	-10.1
Other comprehensive income for the period, net after tax	-14.4	-3.4
Total comprehensive income for the year	144.7	204.9
Total comprehensive income attributable to Parent Company shareholders	144.7	204.9

Comprehensive income for the Parent Company is equivalent to net profit for the year.

BALANCE SHEETS

MSEK	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
ASSETS					
Fixed assets					
Intangible assets	10				
Goodwill		852.3	877.6	—	—
Trademarks		101.9	107.8	—	—
Other intangible assets		21.0	22.4	—	—
		975.2	1,007.8	—	—
Tangible fixed assets	11				
Land and buildings		81.9	83.3	—	—
Plant and machinery		168.4	166.6	—	—
Equipment, fixtures and fittings		84.2	75.9	—	—
Construction in progress and advance payments		4.2	17.9	—	—
		338.7	343.7	—	—
Financial non-current assets					
Shares and participations in subsidiaries	13, 28	—	—	616.3	616.3
Other shares and participations	12	9.2	7.4	—	—
Receivables from subsidiaries		—	—	824.5	1,091.7
Deferred tax assets	9	12.9	19.7	—	—
Other non-current receivables	12	0.7	0.7	—	—
		22.8	27.8	1,440.8	1,708.0
Total fixed assets		1,336.7	1,379.3	1,440.8	1,708.0
Current assets					
Inventories, etc.					
Raw materials and consumables		135.2	145.2	—	—
Work in progress		34.5	21.5	—	—
Finished products and goods for sale		264.4	278.7	—	—
Advance payments to suppliers		11.5	7.9	—	—
		445.6	453.3	—	—
Current receivables					
Accounts receivable – trade	5	494.8	539.6	—	—
Current tax assets		41.3	57.7	19.9	12.7
Other receivables		16.5	16.7	—	—
Prepaid expenses and accrued income	14	31.7	31.2	0.5	1.5
		584.3	645.2	20.4	14.2
Liquid funds / Cash and bank balances		256.8	305.7	42.3	—
Total current assets		1,286.7	1,404.2	62.7	14.2
TOTAL ASSETS		2,623.4	2,783.5	1,503.5	1,722.2

BALANCE SHEETS

MSEK	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
EQUITY (GROUP/PARENT COMPANY ¹⁾)					
Capital and reserves attributable to Parent Company shareholders					
Share capital	30	65.5	65.5	65.5	65.5
Other contributed capital		159.4	159.4	—	—
Translation differences / Statutory reserve		−87.2	−61.0	159.4	159.4
Profit brought forward incl. / excl. net profit for the year		790.2	700.3	109.6	126.5
Net profit for the year, Parent Company		—	—	39.2	64.1
		927.9	864.2	373.7	415.5
Untaxed reserves					
Transfer to tax allocation reserve		—	—	30.0	21.4
LIABILITIES					
Non-current liabilities					
Borrowings	15	952.9	1,169.0	951.7	1,168.9
Provisions for pensions and similar commitments	19	60.2	82.7	—	—
Liabilities to subsidiaries		—	—	1.7	1.7
Deferred tax liabilities	9	60.5	63.8	—	—
		1,073.6	1,315.5	953.4	1,170.6
Current liabilities					
Borrowings	15	117.2	29.2	85.5	102.3
Advance payments from customers		4.7	6.1	—	—
Accounts payable—trade		233.2	238.7	—	—
Current tax liabilities		10.5	45.6	—	—
Other liabilities		61.5	65.9	2.1	2.0
Liabilities to subsidiaries		—	—	53.6	—
Other provisions	27	—	18.2	—	—
Accrued expenses and deferred income	16	194.8	200.1	5.2	10.4
		621.9	603.8	146.4	114.7
Total liabilities		1,695.5	1,919.3	1,099.8	1,285.3
TOTAL EQUITY AND LIABILITIES		2,623.4	2,783.5	1,503.5	1,722.2
Pledged assets	17			None	None
Contingent liabilities	18			61.3	69.3

¹⁾ Restricted equity: share capital and statutory reserve. Non-restricted equity: profit brought forward and net profit for the year.

CHANGE IN EQUITY

MSEK	Share capital	Other contributed capital	Translation differences	Profit brought forward	Total equity
Group					
Equity as of 1 January 2011	65.5	159.4	-67.7	565.2	722.4
Effect of changes in accounting principles				-19.0	-19.0
Adjusted equity as of 1 January 2011	65.5	159.4	-67.7	546.2	703.4
Net profit for the year				208.3	208.3
Other comprehensive income			6.7	-10.1	-3.4
Comprehensive income for the year			6.7	198.2	204.9
Dividend of 3.50 per share				-44.1	-44.1
Equity as of 31 December 2011	65.5	159.4	-61.0	700.3	864.2
Net profit for the year				159.1	159.1
Other comprehensive income			-26.2	11.8	-14.4
Comprehensive income for the year			-26.2	170.9	144.7
Performance-based share savings programme				1.0	1.0
Dividend of 6.50 per share				-82.0	-82.0
Equity as of 31 December 2012	65.5	159.4	-87.2	790.2	927.9

MSEK	Share capital	Statutory reserve	Profit brought forward	Total equity
Parent Company				
Equity as of 1 January 2011	65.5	159.4	170.6	395.5
Net profit for the year			64.1	64.1
Dividend of 3.50 per share			-44.1	-44.1
Equity as of 31 December 2011	65.5	159.4	190.6	415.5
Performance-based share savings programme			1.0	1.0
Net profit for the year			39.2	39.2
Dividend of 6.50 per share			-82.0	-82.0
Equity as of 31 December 2012	65.5	159.4	148.8	373.7

CASH FLOW STATEMENTS

MSEK	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Net profit for the year		159.1	208.3	39.2	64.1
Tax	8, 9	54.8	78.1	7.0	14.0
Change in untaxed reserves		—	—	8.6	—
Income from shares in subsidiaries	6	—	—	—89.1	—115.4
Interest income and similar profit/loss items	3	—3.9	—10.0	—0.8	—0.1
Interest expenses and similar profit/loss items	4	41.5	41.2	18.3	18.6
Operating profit		251.5	317.6	—16.8	—18.8
Adjustment for items not included in the cash flow:					
Depreciation/amortisation		84.8	89.1	—	—
Profit/loss from the sale of tangible fixed assets		—1.5	—5.9	—	—
Items in equity		1.0	—	1.0	—
Translation differences		—9.7	1.7	—18.1	—0.9
		326.1	402.5	—33.9	—19.7
Interest received		2.4	7.1	0.1	0.1
Interest paid		—41.8	—31.5	—18.2	—17.7
Income tax paid		—74.4	—65.3	—14.0	—1.1
Cash flow from operating activities before changes in working capital		212.3	312.8	—66.0	—38.4
Changes in working capital:					
Change in inventories		11.3	4.2	—	—
Change in receivables		41.1	—67.9	1.0	—0.9
Change in current liabilities		—27.4	3.1	48.5	5.9
Cash flow from operating activities		237.3	252.2	—16.5	—33.4
Investing activities					
Investments in subsidiaries and associated companies		—	—117.0	—	—
Investments in intangible assets		—9.3	—5.6	—	—
Investments in tangible fixed assets		—84.4	—70.9	—	—
Sales of tangible fixed assets		1.8	10.7	—	—
Changes in construction in progress and advance payments	11	13.8	1.9	—	—
Changes in non-current receivables and securities	12	—1.8	1.0	267.2	—162.6
Group contribution and dividends received		—	—	89.1	115.4
Cash flow from investing activities		—79.9	—179.9	356.3	—47.2
Financing activities					
New borrowings	15	—	164.0	—	164.0
Repayment of loans		—129.8	—	—129.8	—
Changes in other borrowing		14.1	—99.5	—85.7	—39.3
Changes in other provisions	27	—	4.7	—	—
Dividend paid		—82.0	—44.1	—82.0	—44.1
Cash flow from financing activities		—197.7	25.1	—297.5	80.6
Changes in cash and cash equivalents		—40.3	97.4	42.3	—
Cash and cash equivalents at the beginning of the year		305.7	207.5	—	—
Translation differences in cash and cash equivalents		—8.6	0.8	—	—
Cash and cash equivalents at year-end		256.8	305.7	42.3	—

ACCOUNTING PRINCIPLES

Fagerhult's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and RFR1.

The Parent Company applies the same accounting principles as the Group, except in the instances presented below in the section "Parent Company's Accounting Principles". The variances arising between the Parent Company's and the Group's principles result from limitations in the possibility of applying IFRS in the Parent Company imposed by the Swedish Annual Accounts Act. The principles remain unchanged compared with the previous year except as provided below under the heading of changes in accounting principles and under the heading Remuneration to employees.

All amounts are reported in MSEK, unless otherwise stated. Assets and liabilities are valued at acquisition cost, unless otherwise stated below. The amounts reported for financial assets and liabilities comprise an approximation of their fair value.

CHANGES IN ACCOUNTING PRINCIPLES

The Group has chosen to early adopt the revised IAS 19 Employee Benefits. This has implied that the Group has changed its accounting principles for the reporting of defined benefit pension obligations. Under the transitional rules of the standard, the comparative figures are translated in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Transition effects on the balance sheet, equity, income statement and other comprehensive income for the comparative year 2011 are as follows. Opening equity 2011 negatively affected by approximately MSEK 19 net after tax due to previously unreported actuarial losses now being reported, as well as to consideration of special employer's contribution and increased deferred tax assets. Net profit for 2011 has also been recalculated in accordance with the new principles and this has resulted in a positive effect totalling approximately MSEK 1 net after tax, primarily due to the fact that the amortisation of actuarial losses no longer exists, thereby improving net profit. The effects have had a positive impact of MSEK 0.4 on personnel costs of MSEK 0.9 on financial expenses, which resulted in a negative effect on tax expenses of MSEK 0.4. Earnings per share have been affected positively in an amount of 9 öre for the financial year 2011.

Other comprehensive income for 2011 is adversely affected by a total of approximately MSEK 10.1 net after tax as a result of actuarial losses arising during the period. Total actuarial losses for 2011 amounted to MSEK 13.9.

The total negative impact on closing equity for 2011 is, therefore, approximately MSEK 28.1.

In addition to equity, the balance sheet is affected as fol-

lows on the opening balances for 2011, financial non-current assets decrease by approximately MSEK 3.8 and the provision for pensions increases by MSEK 22.2. Furthermore, deferred tax assets increase by MSEK 7. The corresponding effect on the closing balance in 2011 is a reduction of financial non-current assets of MSEK 2.4 and an increase in provisions for pensions of MSEK 36.3. Furthermore, deferred tax assets increase by MSEK 10.6.

CONSOLIDATED ACCOUNTS SUBSIDIARIES

The consolidated accounts include subsidiaries over which the Group has the right to determine the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Companies acquired during the year are fully consolidated from the date on which decisive influence is transferred to the Group. Companies are de-consolidated from the date on which this influence ceases.

The purchase method of accounting is applied in the accounting of the acquisition of subsidiaries by the Group. The cost of an acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities, and the shares issued by the Group. The purchase price includes the fair value of any assets or liabilities as a result of an agreement on the contingent consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition, the Group determines if any non-controlling interest in the acquired company is recognised at fair value or at the holding proportionate share of the acquired company's net assets. The amount by which the purchase price, any non-controlling interest and fair value at the acquisition date of the previous shareholding exceeds the fair value of the acquisition share of identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in the income statement.

Inter-company gains on transactions between Group companies are eliminated in their entirety. There are no minority shareholdings within the Group.

FOREIGN CURRENCY TRANSLATION FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial state-

ACCOUNTING PRINCIPLES

ments are presented in SEK, which is the Parent Company's functional and presentation currency.

TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange rate differences attributable to operating activities are recorded in operating income, while exchange rate differences attributable to the Group's financing are recorded under financial income and expenses. Exceptions to this include transactions that constitute hedging that fulfils requirements for the hedge accounting of cash flows or of net investments, when exchange rate differences are recorded in equity.

SUBSIDIARIES

The results of operations and the financial position of all subsidiaries (none of which has the currency of a hyper-inflationary economy), having a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities for each presented balance sheet are translated at the closing rate at balance sheet date
- income and expenses for each income statement are translated at average exchange rates (unless such average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the transaction dates) and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

INCOME TAX

Reported income tax includes tax which is to be paid or received, regarding the current year, and adjustments concerning the previous years' current taxes and changes in deferred tax.

The valuation of all income tax liabilities and assets is carried out at nominal amounts, using tax rates and laws that have been enacted, or substantially enacted, by balance sheet date and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

In the case of items reported in the income statement,

related tax effects are also reported in the income statement. The tax effects of items that are accounted for directly against equity are also reported directly against other comprehensive income and equity.

Deferred income tax is calculated using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments and transfers to tax allocation reserves.

Deferred income tax assets regarding future tax deductions are recognised to the extent that it is probable that such deductions can be netted against surplus in future taxation. Deferred income tax liabilities regarding temporary differences attributable to investments in subsidiaries are not recognised in the consolidated accounts as the Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future.

Reporting of deferred tax is based on effective tax rates.

INVENTORIES

Inventories are reporting using the first-in, first-out method at the lower of acquisition cost and net realisable value on the balance sheet date.

Valuation of work in progress and finished goods comprises design costs, direct labour, other direct costs and a reasonable mark-up for indirect costs (based on normal production capacity). This item excludes borrowing costs. Net realisable value is the estimated selling price in the ongoing course of business, less applicable variable selling expenses.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable – trade and other receivables are recognised at acquisition cost, less any provision for write-downs. A provision for write-downs of accounts receivable is reported when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivables. Significant financial difficulties on the part of the debtor, a good probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency of payments are considered to be indicators that accounts receivable may be written down. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced on the basis of a provision for deprecia-

ACCOUNTING PRINCIPLES

tion and the amount of the loss is recognised in the income statement within selling and marketing costs. Recoveries of amounts previously written off are credited against Selling expenses in the income statement.

REVENUE RECOGNITION GOODS

Sales of goods are recognised upon delivery to customers, in accordance with the conditions of sale. Revenue refers to the fair value of goods sold, excluding VAT and discounts. Intra-Group sales are eliminated in the consolidated accounts.

OTHER OPERATING REVENUE

Revenue from activities outside the Group's ordinary operations has been recorded as "Other operating revenue".

INTEREST INCOME

Interest income is recognised on a time-proportion basis using the effective interest method.

DIVIDEND INCOME

Income from dividends is recognised when the right to receive the dividends has been determined.

INTERNAL TRANSFER PRICING

The pricing of transactions, such as purchases and sales of goods and services between Group companies, takes place on the basis of market conditions.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis. These agreements have durations of between 3 and 4 years.

BORROWING COSTS

The Group capitalises borrowing costs, as part of the acquisition cost, which are directly attributable to the purchases, construction or production of an asset and where a considerable amount of time is required to prepare the asset for use or sale. Other borrowing costs are recognised as expenses in the period in which they arise.

CASH FLOW STATEMENT AND CASH EQUIVALENTS

The cash flow statement has been prepared using the indirect method. The reported cash flow includes only those transactions that have resulted in receipts or payments. Cash equivalents include cash in hand, deposits held on call with banks and short-term highly liquid investments with original maturities of three months or less. In both 2012 and 2011, cash and cash equivalents were comprised solely of cash in hand and deposits held on call with banks.

TANGIBLE AND FIXED ASSETS

Land and buildings comprise, primarily, of factories and offices. Tangible fixed assets are stated at acquisition cost, less accumulated depreciation. The acquisition cost includes expenditure that is directly attributable to the acquisition of the items. Additional expenses are included in the asset's reported value, or are reported as a separate asset, depending on the more appropriate alternative, only when it is likely that the future economic benefits associated with the asset, will benefit the Group, and when the asset's acquisition cost can be measured in a reliable manner. All other forms of repairs and maintenance are reported as cost in the income statement during the period in which they arise.

No depreciation is reported for land. Depreciation of other assets, in order to allocate their acquisition cost to be equivalent to their estimated residual value, is undertaken on a straight-line basis according to plan over the estimated useful life, as follows:

Buildings	25 years
Permanent equipment, service facilities etc.	
in buildings	10–20 years
Land improvements	20 years
Machinery and equipment	5–10 years
Vehicles, IT systems	5 years
Computers and tools	3 years

The assets' residual values and useful lives are reviewed and adjusted, if applicable, at each balance sheet date.

An asset's carrying amount is immediately written-down to its recoverable amount if the asset's carrying amount exceeds the estimated recoverable amount.

INTANGIBLE FIXED ASSETS RESEARCH AND DEVELOPMENT

The Group has no expenses for research. Expenses which have arisen in conjunction with development projects (attributable to the development of new lighting fittings)

ACCOUNTING PRINCIPLES

are reported in the Group as intangible fixed assets when it is likely that the project will be successful, in terms of its commercial and technical possibilities, and when the expenses in question can be measured in a reliable manner. Other development expenses are written off as they arise. Development expenses that have previously been expensed are not capitalised as assets in subsequent periods.

Capitalised development expenditure with a limited useful life is written-off on a straight line basis from the point in time at which commercial production can be initiated. Amortisation is reported during the asset's expected useful life, which is usually three to five years. Amortisation is included in the income statement under the item "Costs of goods sold". Capitalised development expenditure is included under the item "Other intangible fixed assets".

GOODWILL

Goodwill consists of the amount by which the acquisition cost exceeds the fair value of the Group's participation in the acquired subsidiary's or associate's identifiable net assets at the point in time of the acquisition. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for write-down requirements and is recognised at acquisition cost less accumulated write-downs. Profit or loss on the sale of a unit includes the remaining carrying value of goodwill referring to the unit sold.

Goodwill is allocated to cash generating units, following the assessment of any write-down requirement. Allocation is made to the cash generating units which are expected to benefit from the operational acquisition which has arisen due to the goodwill item. The Fagerhult Group allocates goodwill to all lines of business.

BRANDS

The item mainly includes assets in trademarks which have arisen in conjunction with the acquisition of subsidiaries. These are valued at the date of acquisition at fair value and thereafter, less depreciation and amortisation. Trademarks are written off over an estimated useful life or, in cases where the trademark has an indefinite useful life, there is an annual test for write-down requirements.

WRITE-DOWNS OF NON-FINANCIAL ASSETS

Assets which have an unknown useful life are not written-off but, instead, are tested yearly for any possible write-down requirement. Assets which are written-off are assessed in terms of write-downs whenever events or changes in business relations indicate that the reported value is not recoverable. In those cases in which the reported value exceeds

the recoverable amount, the reported value is immediately written-down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, reduced by the selling costs and the asset's value in use. During the assessment of write-down requirements, the assets are grouped together at the lowest level at which there are separate, identifiable cash flows (cash-generating units).

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the categories "Financial assets at fair value via the income statement", "Available-for-sale financial assets" and "Loans receivable and accounts receivable-trade". Classification of financial assets is dependent on the purpose for which the financial asset was acquired. The Company management determines the classification of the financial asset when they are first reported and, thereafter, re-examines the decision in conjunction with each reporting occasion.

Financial instruments reported in the balance sheet include cash and bank balances, receivables and operating liabilities.

Loans receivable and accounts receivable are non-derivative financial assets with determined or determinable payments which are not listed on an active market. These are characteristically in conjunction with the Group providing funds, goods or services directly to a customer without the intention to trade in the receivables. These are included in current assets with the exception of items with a maturity date later than 12 months after the balance sheet date, and which are classified as fixed assets. Loan receivables and accounts receivable are included in the items "Other long-term receivables", "Accounts receivable – trade" and "Other receivables" in the balance sheet. Loan receivables and accounts receivable are initially reported at fair value and, thereafter, at accrued acquisition cost on the basis of the effective interest method. Where necessary, provisions have been made for write-downs.

Financial liabilities are initially valued at fair value, net after transaction costs, and thereafter, at accrued acquisition cost. The category "Financial liabilities" includes the items Borrowings, Accounts payable and Other liabilities.

Purchases and sales of financial instruments are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset. Financial instruments are initially valued at fair value plus transaction costs, which applies to all financial assets which are not valued at fair value in the income statement. Financial assets valued at fair value via the income statement are initially valued at fair value, while applicable transaction costs are reported in the income statement. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instruments has expired or been transferred, and the Group has transferred all of the risks and benefits asso-

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ciated with the right of ownership. Available-for-sale financial assets and financial assets valued at fair value via the income statement are reported after the time of purchase at fair value. Realised and unrealised gains and losses resulting from changes in fair value attributable to the category financial assets valued at fair value via the income statement are included in the income statement for the period during which they arise.

The Group makes an assessment at each balance sheet date as to whether there is objective evidence that a write-down requirement exists for a financial asset or group of financial assets.

Derivative instruments are reported in the balance sheet on the contract date and are valued at fair value, both initially and following subsequent re-valuations. Derivative instruments are not used for the reporting of hedging. Changes in fair value are, therefore, reported immediately in the income statement under Operating income.

EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are reported, net after tax, in equity with a deduction for the proceeds of the issue. In case of a repurchase of shares, the retained earnings are reduced by the amount paid for the shares. When own shares are sold, profit brought forward increases by the amount received.

REMUNERATION TO EMPLOYEES PENSION COMMITMENTS

Within the Group, there are both defined contribution plans and defined benefit plans. A defined benefit plan is a pension plan stipulating a determined amount of pension benefit which the employee receives after retirement, usually based on several factors, such as age, length of service or salary. A defined contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity and, therewith, has no obligation to pay additional premiums. Costs for employees' services during current or previous periods are charged to the Group's result.

In defined benefit plans, employee benefits and former employee benefits are based on the employee's salary at the point of retirement and on the number of years of service. The Group carries the risk of the benefits being paid out.

The liability which is reported in the balance sheet and attributed to defined benefit plans is the present value of the defined benefit obligations at balance sheet date less the fair value of investment assets, adjusted for non-reported actuarial profits/losses for service during previous periods. The defined benefit obligations are calculated yearly by an independent actuary, applying the so-called projected unit

credit method. This method allocates pension costs in pace with the employees' performance of services for the Company, which increases their right to future remuneration. The Company's obligations are valued at the present value of the expected future payments, utilising a discount rate corresponding to interest on first class corporate bonds. The most important actuarial obligations are specified in Note 19.

Actuarial profits and losses can arise in the determination of the present value of the obligations. These can arise either due to the fact that the current circumstances deviate from previously-made assumptions, or because the assumptions have changed, these are reported in other comprehensive income in the period in which they arise. Costs of employment for previous periods are reported directly in the income statement.

For defined contribution plans, the Group pays premiums into a public or privately administered pension insurance plan on an obligatory, contractual or voluntary basis. The Group has no additional payment obligations when these premiums are paid. The premiums are reported as pension costs when they mature. Prepaid premiums are reported as assets to the extent that cash repayment or a decrease in future payments of such may benefit the Group.

SHARE-BASED PAYMENT

The Group has a Performance Share Programme, which is recognised as a programme settled through equity. The cost of the programme is calculated on the basis of the allocated shares' fair value at the time of allocation and is amortised over the term of the programme. In those cases in which the programme may lead to costs in the form of social security contributions, the Group reserves the social security contributions on an on-going basis at fair value and amortised over the term of the programme.

REMUNERATION FOLLOWING TERMINATION

Remuneration following termination commences when an employee's period of employment is terminated prior to the normal pensionable age or when an employee voluntarily accepts termination of employment in exchange for such remuneration. The Group reports severance pay when there is a demonstrable obligation either to terminate the employment according to a detailed, formal plan without the possibility of reinstating the employment, or when it is required to provide remuneration following the termination of employment as a result of an offer to encourage voluntary termination of employment. Benefits maturing more than 12 months from the balance sheet date are discounted to present value.

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PROVISIONS

Provisions are recognised when the Group has a statutory or informal obligation to do so as a result of events that have arisen, when it is more probable that an outflow of resources is required to settle the obligation than would have been required if payment were not made, and when it has been possible to calculate the amount in a reliable manner.

If there are a number of similar obligations, an assessment is made of the probability that an outflow of resources will be required to settle the entire Group's obligations. A provision is reported even if the probability of an outflow for a special item in this group of obligations is minimal.

EARNINGS PER SHARE

Earnings per share are calculated as net profit/loss for the year in accordance with the income statement in relation to the average number of remaining shares before and after dilution.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the ultimate decision-making body. The ultimate decision-making body is that function responsible for allocating resources and assessing operating segment results. The Group has identified this duty as that of the Executive Director who makes the strategic decisions.

Expenses attributable to the segment are comprised of both direct expenses and Group-wise expenses. Unspecified expenses represent Group-wise expenses. Segment assets consist mainly of intangible assets, tangible fixed assets, inventories and accounts receivable – trade. Segment liabilities consist mainly of accounts payable – trade and accruals and deferrals.

DIVIDENDS

Dividends to AB Fagerhult's shareholders are recognised as liabilities in the Group's financial report in the period in which the dividends have been resolved upon by the shareholders in the Parent Company.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2. RFR 2 stipulates that the Parent Company shall, in its financial statements, apply Inter-

national Financial Reporting Standards (IFRS) as adapted by the EU, to the degree that it is possible to comply with the framework of the Swedish Annual Accounts Act, and with regard to the relationship between accounting and taxation. RFR 2 stipulates those exceptions and amendments to be made in relation to IFRS. Identified differences between accounting principles in the Group and the Parent Company mainly refer to IAS 12 Income tax. The amounts transferred to untaxed reserves constitute taxable temporary differences. Due to the relationship between accounting and taxation, deferred tax liabilities applicable to untaxed reserves are not disclosed separately in the Parent Company. Accordingly, these are reported in their gross amounts in the balance sheet. Balance sheet appropriations are reported at gross value in the income statement.

Group contributions are reported according to their financial content, which implies that they are equalized with dividends in the Parent Company.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires that qualified estimations and assessments be made for accounting purposes. Furthermore, Company management undertakes assessments in the application of the Group's accounting principles. Estimates and assessments can affect the income statement and the balance sheet, as well as any additional information which has been reported in the financial statements. Consequently, changes in valuations and assessments can lead to changes in the financial statements.

CONSIDERATION OF THE WRITE DOWN REQUIREMENT FOR GOODWILL

For the Group, it has been determined that the estimates and assessments made in connection with assessment of write-down requirements on goodwill are of significance for the consolidated accounts. Annually, the Group conducts reviews, to determine whether there is a requirement for the write-down of carrying amounts. The recoverable amount of cash-generated units is determined through the assessment of value in use. These assessments are based on certain assumptions regarding the future which, for the Group, are associated with a risk of material adjustments of reported values during the forthcoming financial year. Significant assumptions and effects of reasonable changes of such appear in Note 10.

If the estimated cost of capital applied in determining the discount rate before tax for the cash-generating units had been 2% higher (e.g. 13% instead of 11%) than the management's assessment, such increase in the cost of capital would not have resulted in a write-down requirement.

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APPLICATION OF NEW OR REVISED STANDARDS CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

New and revised standards applied by the Group

None of the IFRS or IFRIC interpretations that are mandatory for the first time the financial year beginning on 1 January 2011 have had any material impact on the Group.

New standards, amendments and interpretations of existing standards which have not been early adopted by the Group

A number of new standards, interpretations and amendments to existing standards will be effective for financial years beginning after January 1, 2012 and has not been applied in preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except for the following ones:

IAS 1 "Presentation of financial statements", amendment regarding other comprehensive income"

The most significant change to the amended IAS 1 is the requirement that the items reported under "Other comprehensive income" are to be classified according to two categories. This classification is based on whether or not the items can be reclassified to an item in the income statement (reclassification adjustments). The amendment does not address the matter of which items are to be included in "Other comprehensive income". The Group intends to apply the amendment for the financial year beginning 1 January 2013. The changes will result in further sub-headings in "Other comprehensive income".

IFRS 10 "Consolidated financial statements"

The aim of IFRS 10 is to establish principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other companies. The standard defines the concept of control and establishes control as the basis for consolidation. The standard provides guidance for determining whether an entity controls another and therefore must include this company in the consolidated financial statements. The standard also specifies the manner in which the consolidated financial statements are to be prepared. The Group intends to apply the changes no later than the financial year beginning 1 January 2014 and has not yet evaluated the impact.

IFRS 12, "Disclosures of interests in other entities"

IFRS 12 includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. The Group intends

to apply the changes no later the financial year beginning 1 January 2014 and has not yet evaluated the impact.

IFRS 13 "Fair value measurement"

IFRS 13 "Fair Value Measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The standard provides guidance regarding valuations at fair value for all types of assets and liabilities, both financial and non-financial. The requirements, which are essentially the same in both IFRS and U.S. GAAP, do not extend the area of application for when the fair value should be applied but provides guidance regarding the manner in which it should be applied in areas where other IFRS already require or allow valuation at fair value. The Group intends to apply the changes for the financial year beginning 1 January 2013. The standard will provide additional disclosures relating to financial instruments.

IFRS 9 "Financial instruments"

IFRS 9 is the first standard issued as a stage in the major project to replace IAS 39. IFRS 9 retains but simplifies the model with multiple evaluation criteria based on two primary measurement categories: accrued acquisition cost and fair value. Classification is based on the company's business model and the characteristics of the contractual cash flows.

The guidance provided in IAS 39 regarding the testing of financial assets and hedge accounting for write-down requirements continues to apply. The Group intends to apply the changes no later than the financial year beginning 1 January 2015 and has not yet evaluated the impact.

NOTES

Note 1 | Segment reporting

	Northern Europe		Great Britain, Ireland and the Middle East		Other Europe		Asia and Australia		Other		Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net sales and income														
Net sales	1,685.9	1,624.4	831.5	743.9	650.5	753.1	227.6	208.0			–310.4	–306.6	3,085.1	3,022.8
(of which sales in Sweden)	(300.5)	(302.2)	(5.3)	(3.5)	(4.6)	(0.9)	(0.0)	(0.0)			–(310.4)	–(306.6)	(0.0)	(0.0)
Operating income by line of business	99.3	120.4	77.7	69.6	61.3	124.2	27.3	19.0	–14.1	–15.6			251.5	317.6
Unclassified costs													0.0	0.0
Operating profit													251.5	317.6
Financial income													3.9	10.0
Financial expenses													–41.5	–41.2
Tax expenses for the year													–54.8	–78.1
Net profit for the year													159.1	208.3
Other disclosures														
Fixed assets	350.6	350.9	338.2	339.2	545.8	570.6	94.7	106.4					1,329.3	1,367.1
Other assets	693.6	786.2	355.8	345.5	243.8	361.7	83.6	102.2	42.9	1.4	–160.9	–222.5	1,258.8	1,374.5
Unclassified assets													35.3	41.9
Total assets													2,623.4	2,783.5
Liabilities	362.3	363.1	190.9	170.2	130.8	175.5	41.3	58.5	7.4	12.5	–116.8	–115.8	615.9	664.0
Unclassified liabilities													1,079.6	1,255.3
Total liabilities													1,695.5	1,919.3
Investments	67.1	33.8	18.3	21.9	7.5	17.8	0.8	3.0					93.7	76.5
Depreciation/Amortisation	58.4	58.7	13.2	11.7	11.2	13.0	5.6	5.7					84.8	89.1
Sales per market														
Sweden	780.7	726.0	0.1	0.6	2.4	2.4							783.2	729.0
Great Britain	1.4	1.1	738.0	674.5	9.3	15.9							748.7	691.5
Germany	3.6	6.0	5.7	3.5	269.2	313.8							278.5	323.3
Norway	241.3	230.3	0.1	0.5	1.7	4.8							243.1	235.6
Australia					7.3	6.6	219.4	204.7					226.7	211.3
Holland	0.1	0.5	1.2	2.0	129.8	148.8							131.1	151.3
Finland	143.7	145.2			0.3	0.6							144.0	145.8
Denmark	120.3	125.6			0.3	0.5							120.6	126.1
United Arab Emirates			62.3	45.3	18.0	25.3							80.3	70.6
France	0.7	1.5	0.3	0.3	39.4	58.8							40.4	60.6
Other	93.6	86.0	18.5	13.7	168.2	174.7	8.2	3.3					288.5	277.7
Total	1,385.4	1,322.2	826.2	740.4	645.9	752.2	227.6	208.0					3,085.1	3,022.8

Fagerhult has chosen to divide its operations into four business areas based on geographical regions, as well as one business area covering other activities:

Northern Europe. This business area comprises our units and companies in the Nordic and Baltic countries, and in Russia. In addition, there is also the factory in China, engaged in manufacturing and purchasing. Development, production and sales are conducted in Sweden, whereas operations in other markets, except for China, refer only to sales.

Great Britain, Ireland and the Middle East. This business area comprises our companies in England and Ireland, as well as operations in the Middle East. The dominant unit is Whitecroft Lighting, which engages in the development, manufacture and sale of lighting systems. The business area also includes the company Designplan

Lighting Ltd, which was acquired during the second quarter of 2011. Other units are engaged in sales operations.

Other Europe. This business area includes operations in Germany, the Netherlands, France, Spain, Austria and Poland. The dominant unit in the segment is the company LTS Licht & Leuchten in Germany, which engages in the development, manufacture and sale of lighting systems. Other units are engaged in sales operations.

Asia and Australia. This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken. Operations in Asia refer to sales on the Chinese market.

Other. This business area is mainly comprised of the Parent Company and certain Group-wide functions.

NOTES

Note 1, continued

Information per product area

	Sales	
	2012	2011
Indoor Lighting	2,064.7	1,976.9
Retail Lighting	801.9	848.6
Outdoor Lighting	218.5	197.3
Total	3,085.1	3,022.8

Indoor Lighting

This product area includes sales of indoor lighting for public environments, such as offices, schools, hospitals, industries, etc.

Outdoor Lighting

This product area includes sales of outdoor products for lighting of buildings, parks, recreational areas, pathways, etc.

Retail Lighting

This product area includes sales of lighting systems, light sources and service to retail environments.

Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension costs)	
	2012	2011	2012	2011	2012	2011
Parent Company	10.0	12.4	7.0	7.6	(3.2)	(2.5)
Subsidiaries	751.7	715.1	201.7	191.7	(44.4)	(41.2)
Group	761.7	727.5	208.7	199.3	(47.6)	(43.7)

Salaries and other remuneration to members of the Board, the Chief Executive Officer and senior management

	2012			2011		
	Salaries and other remuneration	(of which variable remuneration))	Pension expenses	Salaries and other remuneration	(of which variable remuneration))	Pension costs
Parent Company, 9 (10) employees	8.0	(0.5)	2.0	11.2	(2.8)	2.3
Subsidiaries, 23 (25) employees	28.3	(2.1)	2.1	27.4	(2.1)	1.4
Group	36.3	(2.6)	4.1	38.6	(4.9)	3.7

Remuneration to senior management during the year

	Basic salary / Remuneration	Variable remuneration	Other benefits	Pension costs	Share-based payment	Total
Parent Company						
Chairman of the Board, Jan Svensson	0.4	—	—	—	—	0.4
Board Member, Eric Douglas	0.3	—	—	—	—	0.3
Board Member, Anna Malm Bernsten	0.2	—	—	—	—	0.2
Board Member, Björn Karlsson	0.2	—	—	—	—	0.2
Board Member, Eva Nygren	0.2	—	—	—	—	0.2
Board Member, Fredrik Palmstierna	0.2	—	—	—	—	0.2
CEO	3.2	—	0.1	1.0	0.2	4.5
Other senior management (2 individuals)	3.3	—	0.2	1.0	0.2	4.7
	8.0	—	0.3	2.0	0.4	10.7
Subsidiaries						
Other senior management (2 individuals)	3.4	—	0.2	0.4	0.2	4.2
Group	11.4	—	0.5	2.4	0.6	14.9

NOTES

Note 2, continued

Remuneration to the Board of Directors was determined at the 2012 Annual General Meeting. No additional remuneration has been paid to the Board of Directors, with the exception of remuneration for travel expenses. Other senior management refers to the Group management and those individuals responsible for the various business areas. Other benefits refer to company cars.

Remuneration policy

The Chairman of the Board and Board members receive remuneration in accordance with the resolutions of the Annual General Meeting. Remuneration is not paid to members of the Board employed within the Group.

Remuneration to the CEO is determined by the Board on the basis of proposals made by the Remuneration Committee. Remuneration to other senior management has been determined by the CEO in consultation with the Remuneration Committee.

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, company car benefits and pensions. The specification on the basis of basic salary and variable remuneration is to be in proportion to the senior manager's responsibilities and authority.

Variable remuneration to the CEO is maximised at the equivalent of 50 per cent of fixed salary. The variable salary is based on the Group's earnings per share. In addition to the annual bonus, the CEO is covered by the Performance Share Programme described below.

For other senior management, variable remuneration is maximised at 20–40 per cent of the basic salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for operating income, the Group's earnings per share and the outcome of individual activity plans.

Pensions

The retirement age of the CEO and other senior management is 65 years. Defined contribution pension insurance at an amount corresponding to 35 per cent of the fixed annual salary is paid for the CEO. Pension benefits for the Executive Director and other senior management are paid within the framework of current supplementary pension plans (ITP) for salaried employees.

Severance pay

The period of notice of termination for the CEO is 6 months if termination is initiated by the company and 6 months if initiated by the CEO. If termination is initiated by the Company without reason for termination, the CEO is entitled to severance pay corresponding to 12 monthly salaries. Severance pay is deducted against other earned income.

For other senior management, the period of notice is 12 months if initiated by the company, and 6 months if initiated by the employee. There is no specific agreement regarding retirement age, future pension or severance pay to Board members and other senior management.

Performance Share Programme

The Company's 2012 Annual General Meeting resolved to implement a performance based incentive programme for senior management and a number of key employees within the group. A total of 27 people were offered the opportunity to participate, of which 25 accepted. Participation in the programme requires a personal investment in Fagerhult shares. Following, under normal circumstances, a three year vesting period, a cost-free allocation of shares in Fagerhult can be made to the participants, provided that certain conditions are met, after the interim report for the first quarter of 2015 has been published. Under the terms of the programme, participants have acquired a total of 11,000 shares in Fagerhult. A total of approximately 39,000 share rights have been allocated to participants in the programme, of which 7,720 have been allocated to the CEO and 9,428 to other senior management. Thus, a maximum of 39,000 Fagerhult shares can be allocated under the terms of the programme. In order for the share rights to be eligible for the allotment of shares, participants are required to remain in employment within the Group and to retain his/her entire investment in Fagerhult shares acquired within the framework of the programme during the vesting period. Certain of the allocated share rights (so-called performance share rights) also require that a financial performance goal, related to Fagerhult's average earnings per share for the financial years 2012–2013, has been achieved, in order for the allocation of shares to be executed. The valuation of the allocated share rights is based on the market price of the shares at the time of allotment, with a deduction for the lack of dividend. Total expenses attributable to the programme for the year amounted to MSEK 1.3.

Note 3 | Interest income and similar profit items

	Group		Parent Company	
	2012	2011	2012	2011
Interest income	2.2	2.4	0.1	0.1
Exchange rate gains	1.7	2.2	0.7	–
Other financial income	–	5.4	–	–
Total	3.9	10.0	0.8	0.1
of which Group companies			–	–

NOTES

Note 4 | Interest expenses and similar loss items

	Group		Parent Company	
	2012	2011	2012	2011
Interest expenses	33.5	37.4	17.7	17.2
Exchange rate losses	7.0	2.8	0.1	0.9
Other financial expenses	1.0	1.0	0.5	0.5
Total	41.5	41.2	18.3	18.6
of which Group companies			–	–

Note 5 | Accounts receivable

	Group		Parent Company	
	2012	2011	2012	2011
Age analysis of outstanding accounts receivable				
Accounts receivable, not yet due	363.7	400.7	–	–
Due accounts receivable without write-down requirement:				
< 3 months	115.4	108.9	–	–
3–12 months	13.1	27.6	–	–
> 12 months	2.6	1.8	–	–
	131.1	138.3	–	–
Due accounts receivable with write-down requirement:				
< 3 months	0.4	5.4	–	–
3–12 months	1.6	0.9	–	–
> 12 months	12.7	2.9	–	–
	14.7	9.2	–	–
Provisions for doubtful debts	–14.7	–8.6	–	–
Book value	494.8	539.6	–	–
Change in reserve for doubtful debts				
Opening reserve	–8.6	–14.6	–	–
Reclassifications	–4.2	–	–	–
Established losses	4.7	3.7	–	–
Reversed unutilised provisions	0.9	4.5	–	–
Provisions for the year	–7.8	–2.1	–	–
Translation differences	0.3	–0.1	–	–
Closing reserve	–14.7	–8.6	–	–

Note 6 | Income from shares in subsidiaries

	Group		Parent Company	
	2012	2011	2012	2011
Group contributions received and dividends	–	–	89.1	115.4
Total	–	–	89.1	115.4

NOTES

Note 7 | Depreciation/Amortisation and write-downs

Amortisation of intangible assets in the Group amounts to 13.2 (14.5) and depreciation of tangible fixed assets amounts to 71.6 (74.6). Write-downs amount to 0.0 (0.0). Amortisation/depreciation and write-downs are specified per function in the income statement as follows:

	Group		Parent Company	
	2012	2011	2012	2011
Brands				
Costs of goods sold	3.0	2.9	–	–
Total	3.0	2.9	–	–
Other intangible assets				
Costs of goods sold	9.1	10.1	–	–
Selling expenses	0.4	0.6	–	–
Administrative expenses	0.7	0.9	–	–
Total	10.2	11.6	–	–
	Group		Parent Company	
	2012	2011	2012	2011
Land and buildings				
Costs of goods sold	4.0	4.3	–	–
Selling expenses	1.3	1.1	–	–
Administrative expenses	0.7	0.5	–	–
Total	6.0	5.9	–	–
Plant and machinery				
Costs of goods sold	40.9	40.8	–	–
Total	40.9	40.8	–	–
Equipment, fixtures and fittings				
Costs of goods sold	10.5	13.7	–	–
Selling expenses	9.6	9.7	–	–
Administrative expenses	4.6	4.5	–	–
Total	24.7	27.9	–	–

Note 8 | Tax on profit for the year

	Group		Parent Company	
	2012	2011	2012	2011
Current tax	56.3	79.4	7.0	14.0
Change due to alteration to tax rate in Sweden	–4.2	–	–	–
Deferred tax	2.7	–1.3	–	–
Total	54.8	78.1	7.0	14.0
Difference between the Group's tax expenses and tax expenses based on current rates				
Reported profit before tax	213.9	286.4	46.2	78.1
Tax according to current tax rates	56.3	75.3	12.2	20.5
Change due to alteration to tax rate in Sweden	–4.2	–	–	–
Tax effect of non-deductible expenses	1.4	1.6	0.1	0.2
Tax effect of non-taxable income	–0.1	–0.2	–5.3	–6.7
Effect of foreign tax rates	1.4	1.4	–	–
Tax on profit for the year according to income statement	54.8	78.1	7.0	14.0

NOTES

Note 9 | Deferred tax

	Group		Parent Company	
	2012	2011	2012	2011
Deferred tax expenses/revenue for the year				
Deferred tax revenue referring to temporary differences	-5.6	-6.9	-	-
Deferred tax expenses referring to temporary differences	8.3	5.6	-	-
Change due to alteration to tax rate in Sweden	-4.2	-	-	-
Total	2.7	-1.3	-	-

Temporary differences

Temporary differences referring to the following items have resulted in deferred income tax liabilities and deferred tax assets. These items have indefinite useful lives.

	Group		Parent Company	
	2012	2011	2012	2011
Deferred income tax liabilities				
Surplus in acquired subsidiaries	34.2	35.5	-	-
Other intangible assets	1.6	1.4	-	-
Buildings	2.0	2.2	-	-
Plant and machinery	1.6	4.4	-	-
Other financial assets	-	0.5	-	-
Inventories	0.3	-	-	-
Current receivables	0.1	-	-	-
Untaxed reserves	19.3	19.2	-	-
Current liabilities	1.4	0.6	-	-
Total deferred income tax liabilities	60.5	63.8	-	-
Deferred tax assets				
Plant and machinery	0.8	0.9	-	-
Other financial assets	-	0.5	-	-
Inventories	2.1	1.9	-	-
Current receivables	4.3	4.3	-	-
Pension provisions	2.5	9.4	-	-
Current liabilities	3.2	2.7	-	-
Total deferred tax assets	12.9	19.7	-	-
Temporary differences referring to investments in subsidiaries for which deferred tax liabilities have not been reported, as a sale would not result in taxation.	530.8	433.1	-	-

Note 10 | Intangible assets

	Group		Parent Company	
	2012	2011	2012	2011
Goodwill				
Opening acquisition cost	877.6	806.4	-	-
Acquisition of subsidiaries	-	70.0	-	-
Translation differences	-25.3	1.2	-	-
Closing accumulated acquisition cost	852.3	877.6	-	-
Opening write-downs	0.0	0.0	-	-
Closing accumulated write-downs	0.0	0.0	-	-
Book value	852.3	877.6	-	-

NOTES

Note 10, continued

	Group		Parent Company	
	2012	2011	2012	2011
Brands				
Opening acquisition cost	126.2	108.6	–	–
Acquisition of subsidiaries	–	16.8	–	–
Translation differences	–3.2	0.8	–	–
Closing accumulated amortisation	123.0	126.2	–	–
Opening amortisation	–18.4	–15.3	–	–
Amortisation for the year	–3.0	–2.9	–	–
Translation differences	0.3	–0.2	–	–
Closing accumulated amortisation	–21.1	–18.4	–	–
Book value	101.9	107.8	–	–
Other intangible assets				
Opening acquisition cost	96.1	90.4	–	–
Purchases	9.3	5.6	–	–
Translation differences	–1.6	0.1	–	–
Closing accumulated amortisation	103.8	96.1	–	–
Opening amortisation	–73.7	–62.0	–	–
Amortisation for the year	–10.2	–11.6	–	–
Translation differences	1.1	–0.1	–	–
Closing accumulated amortisation	–82.8	–73.7	–	–
Book value	21.0	22.4	–	–

The item Brands includes brands with book values of MSEK 64.4 (66.6) and indefinite useful lives. These assets are subject to testing for write-down requirements.

The item “Other intangible assets” includes capitalised expenditure for product development which is internally generated, at a book value of MSEK 7.3 (5.4).

Testing of write-down requirements regarding goodwill and brands with indefinite useful life

Goodwill and brands (with indefinite useful life) are distributed amongst the Group's cash generating units (CGU) and are classified per segment according to the following.

	Group	
	2012	2011
Northern Europe	87.3	87.8
Great Britain, Ireland and the Middle East	241.6	246.1
Other Europe	512.0	531.4
Asia and Australia	75.9	78.9
Total	916.8	944.2

Each year the Group performs a test of each cash-generating unit in order to assess whether a write-down requirement exists in accordance with the applied accounting principles. The recoverable amount for each CGU is determined by calculating the value in use, which is comprised of the present value of estimated future payments expected to arise from the asset during its useful life, including the calculated residual value at the end of its useful life. These calculations assume estimated future cash flows based on financial forecasts for the coming five-year period, as approved by management. To extrapolate cash flows beyond this period, a growth rate of 2 per cent has been applied, which is deemed to be a conservative estimate. The direct method of reporting operating cash flow has been applied.

Management has designated a budgeted operating margin based

on previous results and expectations of future market development. The discount rate after tax which has been applied is 11 (12) per cent. The risk-free rate is currently historically low. As risk premiums on the stock market are deemed to be at a long-term normal level, this means, overall, that the discount rate is lowered by one percentage point. It is estimated that the discount rate can be applied to all segments as the circumstances are, at the moment, similar.

Significant assumption

Market share and growth

The current market share has been applied to future periods. Forecasts are based on previous experience and on external sources of information. The estimated growth rate applied to extrapolate cash flow beyond the budget period is 2 per cent.

NOTES

Note 10, continued

Expenses

The forecast of personnel costs is based on the expected inflation rate, specific increases in real salary (historical average) and the planned streamlining of the Company's production. The forecast is in accordance with previous experience and external sources of information.

Exchange rates

Exchange rate forecasts are based on the current listed exchange rates and on listed forward rates. The forecast is in accordance with external sources of information.

Assumptions applied

The discount rate before tax of 11 per cent.

Exchange rates: NOK 1.14, DKK 1.13, EUR 8.40, GBP 10.60.

Sensitivity analysis

The recoverable amounts exceed the reported value of goodwill by a significant margin. This also applies to each individual assumption provided that:

- the discount rate before taxes would have been 13 per cent.
- the estimated growth rate applied to extrapolate cash flows beyond the budgeted period would have been 0 per cent.

Note 11 | Tangible fixed assets

	Group		Parent Company	
	2012	2011	2012	2011
Land and buildings				
Opening acquisition cost	169.6	171.6	–	–
Purchases	4.9	10.3	–	–
Sales	–	–12.7	–	–
Translation differences	–0.9	0.4	–	–
Closing accumulated acquisition cost	173.6	169.6	–	–
Opening depreciation	–86.3	–90.1	–	–
Depreciation for the year	–6.0	–5.9	–	–
Sales	–	10.1	–	–
Translation differences	0.6	–0.4	–	–
Closing accumulated depreciation	–91.7	–86.3	–	–
Book value	81.9	83.3	–	–
of which land	3.8	3.8	–	–
Plant and machinery				
Opening acquisition cost	611.1	539.0	–	–
Acquisitions of subsidiaries	–	40.6	–	–
Purchases	45.1	31.1	–	–
Sales and disposals	–4.2	–3.8	–	–
Translation differences	–7.3	4.2	–	–
Closing accumulated acquisition cost	644.7	611.1	–	–
Opening depreciation	–444.5	–365.2	–	–
Acquisition of subsidiaries	–	–39.7	–	–
Depreciation for the year	–40.9	–40.8	–	–
Sales and disposals	4.2	3.7	–	–
Translation differences	4.9	–2.5	–	–
Closing accumulated depreciation	–476.3	–444.5	–	–
Book value	168.4	166.6	–	–
Equipment, fixtures and fittings				
Opening acquisition cost	280.9	255.9	–	–
Acquisition of subsidiaries	–	13.3	–	–
Purchases	34.4	29.5	–	–
Sales and disposals	–4.5	–19.0	–	–
Translation differences	–5.9	1.2	–	–
Closing accumulated acquisition cost	304.9	280.9	–	–
Opening depreciation	–205.0	–180.8	–	–
Acquisition of subsidiaries	–	–12.4	–	–
Depreciation for the year	–24.7	–27.9	–	–

NOTES

Note 11, continued

	Group		Parent Company	
	2012	2011	2012	2011
Sales and disposals	4.1	17.1	–	–
Translation differences	4.9	–1.0	–	–
Closing accumulated depreciation	–220.7	–205.0	–	–
Book value	84.2	75.9	–	–
Constructions in progress and advance payments				
Opening acquisition cost	17.9	19.8	–	–
Expenses accrued during the year	3.4	11.2	–	–
Reclassifications to buildings/machinery	–17.2	–13.1	–	–
Translation differences	0.1	–	–	–
Book value	4.2	17.9	–	–

Note 12 | Financial non-current assets

	Group		Parent Company	
	2012	2011	2012	2011
Shares and participations in subsidiaries				
Opening acquisition cost	–	–	616.3	616.3
Book value	–	–	616.3	616.3
Receivables from subsidiaries				
Opening receivables	–	–	1,091.7	929.1
Change during the year	–	–	–267.2	162.6
Closing receivables	–	–	824.5	1,091.7
Other shares and participations				
Opening acquisition cost	7.4	6.3	–	–
Acquisitions during the year	1.8	1.1	–	–
Closing receivables	9.2	7.4	–	–
Other non-current receivables				
Opening receivables	0.7	2.2	–	–
Paid receivables	–	–1.5	–	–
Closing receivables	0.7	0.7	–	–

The fair value of the Group's financial non-current assets is equal to their book value.

Note 13 | Shares and participations in subsidiaries

Disclosures regarding wholly-owned subsidiaries' and sub-subsidiaries' Corporate Identity Numbers and Registered offices:				
	Corporate Identity Number	Registered offices	Number of shares	Book value
Subsidiaries:				
Fagerhults Belysning AB	556321-8659	Habo	2,500	200.4
Fagerhult Retail AB	556337-4924	Bollebygd	5,000	137.4
Whitecroft Lighting Holdings Ltd, UK	03848868	Ashton-under-Lyne	11,915	275.6
Elenco Lighting AB	556035-5090	Borås	1,800	2.9
Sub-subsidiaries:				
Fagerhults Belysning Sverige AB	556122-2000	Habo	1,000	1.0
Ateljé Lyktan AB	556063-9634	Åhus	2,000	4.4
Fagerhult Belysning AS, Norway	937418906	Oslo	100	0.5
Fagerhult AS, Denmark	63.128	Ishøj	65	2.1
Fagerhult OY, Finland	0980280-0	Helsinki	6,000	0.1

NOTES

Note 13, continued

Fagerhult OÜ, Estonia	10703636	Tallinn	5,400	1.6
Fagerhult BV, the Netherlands	96121	IJsselstein	2,250	10.3
Waco NV, Belgium	BE 0492.822.044	Baaigem	9,400	16.4
Fagerhult GmbH, Germany	13135 B	Hamburg	1	10.3
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	672.3
Fagerhult Central Europe GmbH, Austria	FN 305989	Vienna	1	0.3
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	3.6
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6
Designplan International Ltd, UK	02182306	Sutton	1	0.0
Fagerhult Lighting Ltd, UK	3488638	London	40,000	0.5
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	19.9
Fagerhult Sp.z.o.o, Poland	260213	Warsaw	1,000	0.1
Fagerhult France, France	391138385	Lyon	4,200	33.1
Fagerhult S.L., Spain	B84215722	Madrid	3,010	15.6
Commtech Commissioning Services S.A., Spain	A83770263	Madrid	60,120	7.2
Fagerhult Lighting System (Suzhou) Co. Ltd, China	3200044439	Suzhou	1	22.0
Eagle Lighting (Australia) Pty Ltd, Australia	124400933	Melbourne	500,001	32.5
Fagerhult (NZ) Ltd, New Zealand	3233074	Christchurch	1	0.2
Fagerhult SPb, Russia	1097847074544	Saint Petersburg	1	0.0

Note 14 | Prepaid expenses and accrued income

	Group		Parent Company	
	2012	2011	2012	2011
Prepaid rent	12.2	13.2	0.1	—
Insurance	2.2	3.3	—	—
Licenses	1.9	1.5	—	—
Consultancy fees	2.0	2.1	—	—
Supplier Bonus	5.7	0.3	—	—
Social security contributions	2.1	1.0	0.1	0.2
Non-invoiced income	0.5	2.1	0.2	1.1
Other items	5.1	7.7	0.1	0.2
Total	31.7	31.2	0.5	1.5

Note 15 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facilities at year-end amounted to MSEK 150.4 (151.0) for the Group and MSEK 146.5 (146.9) for the Parent Company.

The Group's interest-bearing borrowing

	Group		Parent Company	
	2012	2011	2012	2011
Due dates for long-term loans				
Within one year	117.2	29.2	85.5	102.3
Between one and five years	952.9	1,169.0	951.7	1,168.9
Total	1,070.1	1,198.2	1,037.2	1,271.2

The fixed interest period for interest incurred on the loans is 3 months, as of balance sheet date

	2012		2011	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Average interest expenses on borrowing				
Long-term borrowing, SEK	2.6	432.2	3.2	453.3
Long-term borrowing, EUR	1.7	389.5	3.1	548.3
Long-term borrowing, GBP	1.8	131.2	2.5	167.4
Total		952.9		1,169.0

NOTES

Note 15, continued

	2012		2011	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Short-term borrowing, SEK	2.6	36.9	2.4	16.7
Short-term borrowing, EUR	1.7	64.6	3.1	12.5
Short-term borrowing, GBP	1.8	15.7	–	–
Total		117.2		29.2

Note 16 | Accrued expenses and deferred income

	Group		Parent Company	
	2012	2011	2012	2011
Accrued salaries and remuneration	88.7	93.0	1.2	3.2
Accrued social security contributions	28.6	26.7	0.9	1.6
Bonus to customers	29.5	22.1	–	–
Complaints	7.8	6.9	–	–
Royalty	2.0	2.3	–	–
Rent	2.2	1.4	–	–
Audit fees	2.3	2.2	–	–
Shipping	4.2	1.8	–	–
Financial items	2.0	8.9	0.8	3.5
Other items	27.5	34.8	2.3	2.1
Total	194.8	200.1	5.2	10.4

Note 17 | Pledged assets

	Group		Parent Company	
	2012	2011	2012	2011
For own liabilities				
Floating charges	3.9	4.1	–	–
Real estate mortgages	3.0	3.0	–	–
Total pledged assets	6.9	7.1	–	–

Note 18 | Contingent liabilities

	Group		Parent Company	
	2012	2011	2012	2011
Warranty FPG	0.9	0.9	–	–
Warranty for subsidiaries	–	–	14.0	14.7
Warranties, customs authorities	0.5	0.5	–	–
Guarantees for subsidiaries	–	–	47.3	54.6
Other contingent liabilities	2.2	2.5	–	–
Total pledged contingent liabilities	3.6	3.9	61.3	69.3

Note 19 | Provisions for pensions and similar commitments

	Group		Parent Company	
	2012	2011	2012	2011
Provisions for pensions PRI (interest-bearing)	59.6	61.6	–	–
Provisions for other pensions	0.6	21.1	–	–
Total	60.2	82.7	–	–

NOTES

Note 19, continued

Defined benefit plans

Within the Group there are defined benefit plans in Sweden and Norway, in which employees retain the right to remuneration after they have terminated their employment, based on the salary level at the time of termination and on the period of service. The Group does not have any plan assets.

Pension Insurance with Alecta

Commitments for retirement pensions and family pensions for salaried employees in Sweden are guaranteed through insurance with Alecta. According to a statement made by the Emerging Issues Task Force UFR 3 of the Swedish Financial Accounting Council, this is a defined benefit plan covering several employers. For the financial year

2012, the Group did not have access to the information which would enable it to report this plan as a defined benefit plan. The ITP pension plan which is insured through insurance premiums with Alecta is, therefore, reported as a defined contribution plan. Contributions for pension insurance for the year, subscribed with Alecta, amount to MSEK 13.1 (12.8). Alecta's surplus can be distributed among the policy holders and/or the insured individuals. At the end of December 2012, Alecta's surplus, in the form of the collective consolidation level, amounted to 129 % (113 %). The collective consolidation level is comprised of the market value of Alecta's assets as a percentage of the insurance commitments, calculated in accordance with Alecta's actuarial calculation assumptions, which is not in compliance with IAS 19.

	Group	
	2012	2011
Defined benefit pension plans		
The amounts reported in the consolidated income statement:		
Costs of employment for current year	3.4	3.4
Interest expenses	2.7	2.6
Interest income on plan assets	-1.1	-0.9
Losses (+) or gains (-) of any curtailments or settlements	-4.5	0.0
Total	0.6	5.0
Specification of changes in net debt reported in the consolidated balance sheet:		
Net debt at beginning of year in accordance with prepared balance sheet	82.7	67.5
Net expenses reported in the income statement	0.6	5.0
Benefit payments	-4.4	-1.8
Reimbursements	0.7	0.7
Contributions by employer	-2.6	-2.5
Settlement of pension plan	-0.3	0.0
Actuarial gains (-) / losses (+)	-16.5	13.8
Net debt at year-end	60.2	82.7
The amounts reported in the balance sheet have been calculated according to the following:		
Present value of commitments	60.2	103.6
Plan assets	-	-20.9
Net debt at year-end	60.2	82.7
Total pension costs		
Total pension costs reported in the consolidated income statement:		
Total expenses for defined benefit plans	0.6	5.0
Total expenses for defined contribution plans	47.0	38.7
Total pension costs	47.6	43.7
Pension costs are allocated in the consolidated income statement amongst the following items:		
Cost of goods sold	13.1	12.3
Selling expenses	23.7	20.8
Administrative expenses	8.1	8.0
Financial expenses	2.7	2.6
Total	47.6	43.7
Actuarial assumptions		
Significant actuarial assumptions as of the balance sheet date (expressed as weighted averages)		
Discount rate	3.50%	3.75%
Future annual pension increases	1.75%	2.00%
Assumptions regarding expected lifetime are based on public statistics.		

NOTES

Note 20 | Purchases and sales between Group companies and other related parties

The Parent Company's total income from operations of MSEK 8.7 (10.5) refers to remuneration from subsidiaries for services performed. There have been no other purchases between the Parent Company and the subsidiaries or other related parties. Remuneration to members of the Board, the CEO and other senior management is reported in note 2.

Note 21 | Average number of employees

	2012		2011	
	Number of employees	Men %	Number of employees	Men %
Parent Company	5	60	6	67
Subsidiaries				
Sweden	807	62	838	64
Norway	40	83	43	88
Denmark	27	56	28	64
Finland	32	66	30	63
Estonia	5	60	5	60
Netherlands	31	74	37	73
Germany	255	84	247	83
UK	569	72	544	71
France	19	47	24	48
Belgium	9	78	9	78
Spain	16	94	15	93
Poland	11	82	8	88
Russia	25	60	20	55
Ireland	5	80	5	80
Austria	9	78	7	86
Australia	110	59	109	64
New Zealand	3	67	2	100
United Arab Emirates	11	64	7	71
China	203	42	244	50
Total in subsidiaries	2,187	66	2,222	67
Group total	2,192	66	2,228	67

Members of the Board and senior management

	2012		2011	
	Number	Men %	Number	Men %
Group				
Members of the Board	6	67	6	67
Group President and other senior management	27	89	28	89
Parent Company				
Members of the Board	6	67	6	67
CEO and other senior management	3	67	4	75

Note 22 | Operational leasing agreements

	Group		Parent Company	
	2012	2011	2012	2011
Leasing fees for the year	57.5	60.9	0.3	0.3
The nominal value of future minimum leasing fees for leasing agreements that cannot be cancelled				
Within one year	60.0	58.5	0.3	0.4
Between one and five years	127.9	122.2	0.2	0.5
After five years	44.1	41.8	—	—
Total	232.0	222.5	0.5	0.9

NOTES

Note 23 | Remuneration to auditors

	Group		Parent Company	
	2012	2011	2012	2011
Audit	3.2	2.9	–	–
Audit activities other than audit assignment	0.8	0.6	–	–
Tax consulting	0.9	0.7	–	–
Other services	0.5	1.4	–	–
Total	5.4	5.6	–	–

Note 24 | Expenses allocated according to type of cost

	Group		Parent Company	
	2012	2011	2012	2011
Raw materials and consumables	1,242.0	1,184.2	–	–
Changes in inventory of finished products and goods for resale, and work in progress	11.3	–18.3	–	–
Expenses for remuneration to employees (Notes 2 and 19)	970.4	926.8	15.5	20.0
Transport costs	91.5	91.4	–	–
Advertising and selling expenses	58.6	58.2	0.2	0.6
Expenditure for own properties and rented premises	81.1	78.1	–	–
External services	65.5	71.1	3.1	3.5
Amortisation/Depreciation and write-downs (Notes 7, 10 and 11)	84.8	89.1	–	–
Other costs	260.0	251.1	6.7	5.2
Total	2,865.2	2,731.7	25.5	29.3

The total amount regarding raw materials and consumables refers to capitalised inventory values.

Note 25 | Expenses for product development

	Group		Parent Company	
	2012	2011	2012	2011
Expensed costs for product development	94.1	93.3	–	–

Note 26 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged. This refers primarily to payments from foreign subsidiaries. During the financial year, this has had a positive effect on the Group's operating income by MSEK 1.1 (positive 0.0). The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared to the expected flows during the com-

ing 6 months was, as per the balance sheet date, NOK 10 per cent. The nominal value of these hedging contracts was MNOK 7.0 (MUSD 3.0). The Group does not apply hedge reporting in regards to these contracts. Had the Group redeemed its outstanding contracts per the balance sheet date at the current forward rate, the effect on results would have been 0.0 (+1.7).

Note 27 | Other provisions

The amount refers to both estimated additional purchase prices and expenses relating to acquired subsidiaries. Additional purchase prices and expenses relating to acquired subsidiaries which were

paid during the year are reported in the cash flow statement in the item "Investments in subsidiaries".

NOTES

Note 28 | Changes in the Group's composition – Acquisitions and disposals

Designplan Lighting Ltd

To further strengthen its position on the British market, as well as to create a new product segment for the international market, Fagerhult acquired, as of March 2011, 100 % of the shares in Designplan Lighting Ltd, with its registered offices in Sutton, UK. The preliminary

purchase price was calculated at MSEK 127.9, of which MSEK 11 comprised additional purchase price. After reconciliation, it was not necessary to pay the additional purchase price, for which reason the final purchase price has been reported at MSEK 116.9. The unpaid purchase price has been recognised as income under other income.

Note 29 | Share capital

The share capital in AB Fagerhult totals SEK 65,535,000 (65,535,000) distributed among 12,850,000 (12,850,000) shares with a quotient value per share of SEK 5.10 (5.10). Treasury shares total 238,000 and

have a total quotient value of SEK 1,213,800. All outstanding shares retain equal participation in the Parent Company's assets and profit and are fully paid. Each share entitles the holder to one vote.

	2012	2011
Change in the number of outstanding shares		
Number of outstanding shares at beginning of year	12,612,000	12,612,000
Number of outstanding shares at year-end	12,612,000	12,612,000

Note 30 | Parent Company

The Parent Company's corporate name is AB Fagerhult. The Company is a limited liability company, registered with the Swedish Companies Registration Office, with its registered offices in the County of Jonköping, the Municipality of Habo, and with Corporate Identity Number 556110-6203. The Company's visiting address is Fagerhult, Habo. AB

Fagerhult is the Parent Company in the Fagerhult Group, one of Europe's leading lighting groups. The Group develops, manufactures and markets lighting systems for public environments. At yearend AB Fagerhult had approximately 3,400 shareholders. The eleven largest shareholders together hold 85.8 (83.3) per cent of the shares.

Ownership structure (as per 31 December 2012)

Shareholders	Number of shares	%
Investment AB Latour	3,976,800	31.5%
SÄKI AB	2,200,000	17.4%
The Svensson family, foundation and company	945,525	7.5%
Lannebo Fonder	868,112	6.9%
SSB CL Omnibus AC, USA	721,266	5.7%
Robur Småbolagsfond	518,659	4.1%
SEB Asset Management	400,000	3.2%
The Fourth Swedish National Pension Fund	379,113	3.0%
Handelsbanken Swedish small business fund, etc.	290,509	2.3%
The Palmstierna family	285,770	2.3%
Stiftelsen Stockholms Sjukhem	230,000	1.8%
Other shareholders	1,796,246	14.2%
Number of outstanding shares at year-end	12,612,000	100.0%

Note 31 | Dividend per share

An ordinary dividend of SEK 6.50 per share, totalling MSEK 82.0, will be proposed for 2012 at the Annual General Meeting on 18 April 2013. This amount has not been reported as a liability but will,

instead, be reported in equity as an appropriation of profit for the financial year 2012. The dividend for 2011 amounted to MSEK 82.0 (SEK 6.50 per share).

Note 32 | Risks**FINANCIAL RISKS****Foreign exchange risk**

Foreign exchange risk arises when future business transactions, or reported assets or liabilities, are expressed in a currency which is not the Group's functional currency.

Transaction exposure

In the international operations which Fagerhult undertakes, the clients pay in their own currency, via the global sales organisation, which implies that the Group assumes foreign exchange risks. Foreign exchange risks are also assumed in conjunction with the import of raw materials and components.

As a large part of the production takes place in Sweden, Fagerhult has a surplus inflow of foreign currency. The direct commercial foreign currency cash flow, after net calculations of flows in the same currency, shows a surplus of MSEK 215 (140). In addition to this, there is also an indirect impact in conjunction with the purchase of raw materials and components. This results, over time, in a lower net exposure for the Group.

The Group's policy is to hedge all significant net cash flows. Incoming flows of foreign currency should be used for payment in the same currency. In addition, a certain portion of the anticipated net inflow from sales and purchases is hedged by means of forward contracts after individual assessment at 50 per cent for the coming 6–9 month period. When a statistical assessment of the foreign exchange situation is made, a change in the Swedish krona against other currencies of 1 per cent, with all other variables being constant, would have affected the Group's profit/loss for the year by approximately MSEK 2 (2). The financial instruments are managed by the Parent Company's Board of Directors.

Translation exposure

Foreign exchange risks also arise in conjunction with the translation of foreign net assets and income, so-called translation exposure. This foreign exchange risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. The income in a foreign subsidiary is translated to Swedish krona based on the average rate for the year. The exposure of the Group's net assets outside of Sweden has increased as the operations there have changed from having previously referred to sales companies, to now also including production units. At balance sheet date, net assets in foreign companies are equivalent to MSEK 825 (915) including goodwill.

A weakening of the Swedish krona by 1 per cent with all other variables remaining constant would result in an increase in equity of MSEK 8.2 (9.1) largely due to gains/losses on the translation of EUR and GBP. A change in the Swedish krona of 1 per cent against other currencies would result in a direct impact on net sales in the subsidiaries of approximately MSEK 22 (22) whilst the impact on results in the foreign subsidiaries is MSEK 2 (2).

Interest rate risk

Fagerhult holds no significant interest-bearing assets, which is the reason the Group's revenues and cash flow from on-going operations are, in all material aspects, not dependent on changes in market interest rates.

The Group's interest rate risk arises in conjunction with long-term lending. In addition to pension liabilities, MSEK 60.2 (46.4) interest-bearing liabilities amount to MSEK 1,070.1 (1,198.2) and liquid funds to MSEK 256.8 (305.7). Borrowing on the basis of variable interest rates implies an interest rate risk for the Group as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest rate risk for the Group in terms of actual value. During 2012 and 2011, the Group's lending was comprised largely of loans with three-month fixed interest rates.

The Group analyses its exposure to interest rate risks on a dynamic basis. Various scenarios are simulated, whereby refinancing, re-negotiation of existing trading positions, alternative financing and hedging are taken into consideration. With these scenarios as the starting point, the Group calculates the impact on results which a given change in interest rates would produce. In each simulation, the same change in interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest bearing positions. Executed simulations show that the effect on the result of a change of 1 per cent would be a maximum of MSEK 5, on the basis of the current capital structure. The simulation is made quarterly in order to verify that the maximum possible loss is within the limits established by the executive management.

If interest rates on borrowing in Swedish krona as of 31 December 2012 had been 10 points higher/lower but all other variables had been constant, then gains after tax for the financial year would have been MSEK 1.1 (1.1) higher/lower, primarily as an effect of higher/lower interest costs for borrowing on the basis of variable interest.

Credit risks

Credit risks are managed at Group level. Credit risks arise if the counterparty does not fulfil its commitments in conjunction with lending within the framework of cash management policies and through credit exposure towards clients and banks, including receivables and agreed transactions. The investment of surplus cash is undertaken primarily in K1 graded commercial paper and in banks. Only banks and financial institutions which have received a credit rating of at least "A" from independent rating institutes are accepted. If the Group's customers have received a credit rating from an independent rating institution, these ratings are used as the basis for decision making. In those cases in which an independent credit assessment does not exist, a risk assessment is made of the customer's credit status in which the entity's financial position is considered, as well as previous experience and other factors. Individual risk limits are established based on internal or external credit ratings, in accordance with the limits set by the Group management. The application of credit limits is frequently reviewed. No significant losses occurred in either 2012 or 2011. The majority of receivables from customers are guaranteed through credit insurance. A total provision of MSEK 14.7 (8.6) has been reported for those customer receivables not expected to be collectable.

Liquidity risk

Liquidity risk is managed by ensuring that the Group has sufficient liquid assets and short-term investments on a liquid market, available financing through agreed credit facilities and the possibility to close market positions. The Group has a strong financial position. At present, there are no new borrowing requirements, but should such

NOTES

Note 32, continued

requirements arise, there is currently no difficulty in obtaining external credit, as long as such credit meets certain restrictions, on the part of the borrower, such as debt-to equity and interest coverage ratio, which are at present satisfied.

Management also meticulously follows rolling forecasts for the Group's liquidity reserve on the basis of anticipated cash flows.

The table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the time to maturity, as of balance sheet date. The amounts stated in the table are the contractually stipulated, undiscounted cash flows. Amounts falling due within 12 months correspond to the recorded amount, as the effect of discounting is negligible.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As per 31 December 2012				
Bank loans	117.2	80.3	872.6	—
Accounts payable and other liabilities	504.7	—	—	—
As of 31 December 2011				
Bank loans	69.2	40.0	1,289.0	—
Accounts payable and other liabilities	574.6	—	—	—

Capital risk

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep the cost of capital low.

To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as interest-bearing debt in relation to equity.

In 2012 the Group's strategy, which was unchanged compared to 2011, was to maintain a debt-equity ratio of between 0.5 and 1.0 and a credit rating of AAA. The credit rating of AAA has been maintained throughout the period. The debt/equity ratio as of 31 December 2012 was 0.9 (1.4).

Note 33 | Events after balance sheet date

The Board of Directors proposes a dividend payment of SEK 6.50 (6.50) per share which is equivalent to MSEK 82.0 (82.0).

Between the balance sheet date and the date upon which this annual report was signed, no significant events or information have

OPERATIONAL RISKS

Price risk

Price risks in the Group's operations primarily arise in conjunction with the purchase of input material used in manufacturing. Dominant components, such as electronic control systems and sheet metal, have the single greatest impact on the cost of manufactured products, excluding processing costs. The Group's exposure to price risks on financial instruments is minimal.

Risk associated with plants and stock

In addition to the above mentioned risks, all of which, in principle, impact the Fagerhult Group's cash flows, both restricted capital in fixed assets and stock, are exposed to risk. Rationalisations and a high level of utilisation of investments made have made it possible to maintain the value of capitalised assets at a comparatively low level. Consequently, the risk of a permanent write-down of fixed assets is considered unlikely. Risks associated with carrying stock are primarily related to obsolescence resulting from overproduction and out-of-date technology. Fagerhult's business concept includes customer order driven production. This implies flexible production in which the need for carrying stock is reduced and with that, the risk for obsolescence.

IT security

As computer-aided technology has assumed an increasingly greater scope within the companies, so the demands on security have increased. The functional security of the databases and e-mail servers is checked via daily backups. Battery backup and diesel generators provide protection against operational disruption in the main manufacturing facility in Habo from where the majority of the Group's computer operations are controlled. To date, no costs have arisen as a result of damage. The internet connection is fixed and completely isolated from other networks via hardware firewalls. Access via public networks is secured via security boxes. User access to the system is regulated via Group authorisations and entitlements based on the actual assignment and roles within the Company.

Insurance

The Fagerhult Group purchases and manages Group-wide insurance plans involving property and liability risks, creating co-ordination gains and cost advantages.

arisen concerning the circumstances per the balance sheet date or thereafter, which may have either a positive or negative effect on the Group or any of the companies contained therein, and which require further disclosures, other than those stated above.

SIGNATURES

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU, and that they provide a true and fair view of the Group's financial position and results of operations. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and provides a true and fair view of the Parent Company's financial position and results.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and factors of uncertainty facing the Parent Company and other companies within the Group.

The income statement and the balance sheet will be submitted for adoption at the Annual General Meeting on 18 April 2013.

Habo, 7 March 2013



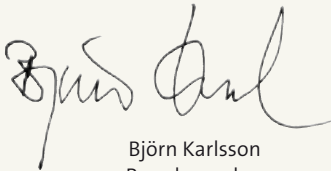
Jan Svensson
Chairman of the Board



Eric Douglas
Deputy Chairman



Anna Malm Bernsten
Board member



Björn Karlsson
Board member



Eva Nygren
Board member



Fredrik Palmstierna
Board member



Johan Hjertonsson
CEO



Magnus Nell
Employee representative



Lars Olsson
Employee representative

Our audit report was submitted on 7 March 2013.
Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

AUDIT REPORT

**TO THE ANNUAL GENERAL MEETING OF
SHAREHOLDERS OF AB FAGERHULT (PUBL)
CORPORATE IDENTITY NUMBER 556110-6203**

REPORT ON ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of AB Fagerhult for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 55–93.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consoli-

dated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of AB Fagerhult for the year 2012.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board

AUDIT REPORT

of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and

consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Jönköping, 7 March 2013

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

CALENDAR

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders will be held on Thursday, 18 April 2013 at 5 pm in Fagerhult, Habo.

REGISTRATION

Shareholders wishing to take part in the Annual General Meeting of shareholders must be registered in the shareholders' register kept by Euroclear Sweden AB on 12 April 2013 and register their intention to take part in the meeting to Fagerhult no later than 12 April 2013.

Registrations can be made by post to AB Fagerhult, 566 80 Habo, via e-mail to inga.callersjo@fagerhult or by telephone at +46 (0)8-522 359 75. Shareholders who have registered their shares with a nominee shareholder must, in good time prior to 12 April 2013, temporarily re-register the shares in their own name, through the nominee shareholder, in order

to have the right to participate in the Annual General Meeting of shareholders.

DIVIDENDS

The Board of Directors proposes to the Annual General Meeting of shareholders a dividend of SEK 6.50 per share. The proposed reconciliation date is 23 April 2013, and, in the event that the Annual General Meeting of the shareholders adopts this proposal, the dividend will be distributed by Euroclear Sweden AB on 26 April 2013 to those registered in the shareholders register as at the date of reconciliation.

INFORMATION OPPORTUNITIES

18 April 2013	Annual General Meeting of shareholders
18 April 2013	Interim Report 3 months
21 August 2013	Interim Report 6 months
22 October 2013	Interim Report 9 months

DEFINITIONS A TO Z

Capital employed Total assets less non-interest-bearing liabilities.

Cash and cash equivalents Cash and bank balances and short-term investments.

Cash flow per share Cash flow for the year from operating activities divided by the average number of outstanding shares.

Earnings per share Earnings according to the income statement in relation to the average number of outstanding shares.

Equity/assets ratio Equity in relation to total assets.

Equity per share Equity divided by the number of outstanding shares.

Liquid ratio Liquid funds in relation to current liabilities.

Net debt/equity ratio Net debt in relation to equity.

Net investments Investments for the year in tangible fixed assets, less revenue for sold fixed assets.

Net liabilities Interest-bearing liabilities with deductions for cash and cash equivalents.

Number of employees Average number of yearly employed.

Operating margin Operating profit in relation to net sales.

Other current assets The item refers to interim receivables, advance payments to suppliers, other receivables and Group receivables.

Profit margin Profit after financial items in relation to net sales.

Return on capital employed Profit/loss after financial items plus financial expenses in relation to the average capital employed.

Return on equity Profit or loss according to the income statement as a percentage of the average (reported) equity.

ADDRESSES

AB Fagerhult (publ)

SE-566 80 Habo
Sweden
Telephone +46 (0)36 10 85 00
Telefax +46 (0)36 10 87 80
www.fagerhult.com

Fagerhults Belysning AB

SE-566 80 Habo
Sweden
Telephone +46 (0)36 10 85 00
Telefax +46 (0)36 10 86 99

Fyrvaktaregatan 7

SE-296 81 Åhus
Sweden
Telephone +46 (0)44 28 98 00
Telefax +46 (0)44 28 98 38

Ateljé Lyktan AB

SE-296 81 Åhus
Sweden
Telephone +46 (0)44 28 98 00
Telefax +46 (0)44 28 98 38

Fagerhults Belysning

Sverige AB
SE-566 80 Habo
Sweden
Telephone +46 (0)36 10 85 00
Telefax +46 (0)36 10 86 99

Fagerhult Retail AB

Rinnavägen 12
SE-517 33 Bollebygd
Sweden
Telephone +46 (0)33 23 66 00
Telefax +46 (0)33 28 58 00

Fagerhult AS

Sluseholmen 8A
DK-2450 Copenhagen
Denmark
Telephone +45 43 55 37 00
Telefax +45 43 55 37 30

Fagerhult OÜ

Artelli 10c
EE-10621 Tallinn
Estonia
Telephone +372 6 507 901
Telefax +372 6 507 900

Fagerhult OY

Pasilankatu 14
FI-002 40 Helsinki
Finland
Telephone +358 9 777 1580
Telefax +358 9 777 15 888

Fagerhult France

46, Av. Chanoine Cartellier
FR-69230 St-Genis-Laval
(Rhône)
France
Telephone +33 4 3722 6410
Telefax +33 4 7267 0633

Fagerhult Lighting – Dubai Branch

Box 126287
Dubai – U.A.E.
United Arab Emirates
Telephone +971 4329 7120
Telefax +971 4329 7130

Fagerhult BV

Lichtschip 19, Postbus 320
NL-3990 GC Houten
Holland
Telephone +31 30 688 99 00
Telefax +31 30 688 99 44

Fagerhult Lighting Systems (Suzhou) Co Ltd.

No 11 in Genway 12th Workshop
10 Gangtian Road
ZIP (Suzhou Industrial Park)
Suzhou 215021 China
Telephone +86 512 62 83 86 76
Telefax + 86 512 62 83 86 96

Fagerhult Belysning AS

Strandveien 30, Pb 471
NO-1327 Lysaker
Norway
Telephone +47 22 06 55 00
Telefax +47 22 50 85 40

Fagerhult Sp.z.o.o.

Al. Jerozolimskie 162
PL-02-342 Warszawa
Poland
Telephone +48 22 501 6640
Telefax +48 22 501 6639

Fagerhult SPb

Viborgskaya nab. 61,
office 317
RU-197342 St Petersburg
Russia
Telephone +7 812 380 0148
Telefax +7 812 335 1138

Fagerhult SL

C/Estocolmo No 13
ES-282 30 Las Rozas, Madrid
Spain
Telephone +34 91 640 7246
Telefax +34 91 637 0198

Commtech Commissioning Services SA

C/Estocolmo No 13
ES-282 30 Las Rozas, Madrid
Spain
Telephone +34 91 640 7246
Telefax +34 91 637 0198

LTS Licht & Leuchten GmbH

Plant I – Offices
Waldesch 24
DE-88069 Tettnang
Germany
Telephone +49 75 42 / 93 07-0
Telefax +49 75 42 / 93 07-520

Whitecroft Lighting Limited

Burlington Street
Ashton-under-Lyne
Lancashire OL7 OAX
England
Telephone +44 870 5087 087
Telefax +44 870 5084 210

Eagle Lighting Victoria

17-19 Jets Court
Melbourne Airport, VIC 3045
Australia
Telephone +61 3 9344 7444
Telefax +61 3 9344 7433

Fagerhult Lighting Ltd

50 Southwark Street
London, SE1 1UN
England
Telephone +44 207 403 4123
Telefax +44 207 378 0906

Designplan Lighting Ltd

6 Wealdstone Road
Kimpton Industrial Estate
Sutton, Surrey SM3 9RW
England
Telephone +44 208 254 2000
Telefax +44 208 644 4253

Fagerhult Lighting Ltd

Unit F1
Calmount Park
Ballymount
Dublin 12
Ireland
Telephone +35 3 1426 0200
Telefax +35 3 1429 9606

Waco N.V.

Hundelgemsesteenweg 80
BE-9890 Baaigem-Gavere
Belgium
Telephone +32 9362 4494
Telefax +32 9362 4782

FAGERHULT

WWW.FAGERHULT.COM