

## Interim report, January – March 2013

- Orders received MSEK 733 (798). After adjustments for currency effects, orders received have decreased by 5% compared with the previous year
- Net sales MSEK 689 (775). After adjustments for currency effects, sales have decreased by 8%.
- Operating profit MSEK 34.3 (60.3), an operating margin of 5.0 (7.8) %.
- Profit after tax MSEK 21.2 (32.5)
- Earnings per share SEK 1.68 (2.58)

### Comments by CEO Johan Hjertonsson:

- Continued lower demand in the late-cycle Indoor Lighting and Retail Lighting segments remains stable on a low level, in line with previous estimates.
- We anticipate that the market will remain weak through the coming quarters.
- The lower level of sales has meant a decrease in profits compared with the same period during the previous year. A considerable portion of this has been compensated for through cost savings.
- The gross margins were at the same level as in the first quarter of the previous year, and higher than the preceding quarter.
- Fixed expenses have been reduced by MSEK 50, on an annual basis compared, with the first quarter of the previous year, after adjustments for currency effects.
- Investments in R&D continue.
- The strong Swedish krona has had a negative effect on profit of MSEK 8 compared with the previous year.
- Red Dot Design Award for Fagerhult's Appareo fixture.

### THE GROUP

#### JANUARY-MARCH

The first quarter was characterised by a continuing weak business cycle within Indoor Lighting, which is the Company's largest product segment. The market for Indoor Lighting is in a late stage of the business cycle, and the decline that began during the previous quarter has continued, as expected. This means that demand in the first quarter has been lower than in the comparative period for both Indoor Lighting and Retail Lighting, where demand slowed earlier in 2012.

The Group's orders received totalled MSEK 733 (798), a decrease of 8%. Currency effects had a negative impact on orders received, and after adjustments for currency effects, orders received were 5% lower than in the previous year. The decrease has been extensive and affected the majority of the Group's markets.

The Group's net sales totalled MSEK 689 (775), a decrease of 11 %, of which currency effects accounted for 3 %. Sales have declined in the majority of the Group's markets, although in Germany and the Middle East, as well as others, sales have actually increased. Sales in the Swedish market, which is the Group's largest market, constituted 25 (25)% of total sales, followed by the UK which accounted for 21 (21) %.

The decrease in profit was a result of the lower sales, as well as of negative currency effects of MSEK 8. Fixed expenses have been reduced and were MSEK 15 lower than in the first quarter of 2012. Almost half of the fall in sales has been compensated for by cost savings. Investments in product development in conjunction with the technology shift towards LED continue. The gross margin was at the same level as the previous year, despite the negative impact of currency effects.

Earnings per share amounted to SEK 1.68 (2.58).

The sales for all product segments have decreased compared with the previous year as a result of a weaker market and the stronger Swedish krona. Sales for Indoor Lighting have decreased by 10% compared with the previous year, adjusted for currency effects. Retail Lighting, too, had lower sales than in the first quarter of the previous year, with a negative growth of -2% after adjustments for currency effects. Outdoor Lighting has decreased by 8%, after adjustments for currency effects.

During the quarter, Fagerhult's new product, Appareo, was awarded the Red Dot Design Award. Appareo has a unique design which takes full advantage of the benefits of LED technology.

## BUSINESS AREAS

NET SALES AND OPERATING PROFIT PER BUSINESS AREA						
	<u>Net Sales</u>		<u>Operating Profit</u>		<u>Operating margin,%</u>	
	<b>Q 1</b>		<b>Q 1</b>		<b>Q 1</b>	
	2013	2012	2013	2012	2013	2012
Northern Europe	393.9	436.6	6.8	18.8	1.7	4.3
UK, Ireland and the Middle East	169.6	181.9	11.0	15.4	6.5	8.5
Other Europe	165.6	184.2	19.0	23.3	11.5	12.6
Asia and the Pacific	40.3	62.8	2.7	7.5	6.7	11.9
Other			-5.1	-4.7	-	-
Elimination	-80.1	-90.3			-	-
<b>Total</b>	<b>689.3</b>	<b>775.2</b>	<b>34.4</b>	<b>60.3</b>	<b>5.0</b>	<b>7.8</b>
Financial unallocated items			-5.3	-15.6		
<b>Profit before tax</b>			<b>29.1</b>	<b>44.7</b>		

Net sales per product area	<b>Q 1</b>	
	<b>2013</b>	<b>2012</b>
	Indoor Lighting	449,6
Retail Lighting	203,9	216,7
Outdoor Lighting	35,8	39,5
	<b>689,3</b>	<b>775,2</b>

## NORTHERN EUROPE

This business area comprises the Group's units and companies in the Nordic and Baltic countries and Russia. It also includes the factory in China, which includes manufacturing and purchases. In Sweden, operations are comprised of development, manufacturing and sales, while operations in other markets, with the exception of China, consist only of sales.

Net sales in the first quarter totalled MSEK 394, compared to MSEK 437 in the previous year. After adjustments for currency effects, this represents a decrease of 9 %. Operating profit for the same period totalled MSEK 6.8 (18.8) and the operating margin was 1.7 (4.3) %. The decrease in operating margin was a result of lower sales and low capacity utilisation at the production facilities. The majority of the Group's negative currency effects, MSEK -6, affected Northern Europe, where the Swedish production units, which export the majority of their output, were affected negatively by the stronger Swedish krona.

Northern Europe	Q 1	
	2013	2012
Net Sales	393.9	436.6
<i>(of which to group companies)</i>	<i>(76.2)</i>	<i>(88.5)</i>
Operating profit	6.8	18.8
Operating margin, %	1.7	4.3
Sales growth, %	-9.8	12.6
Sales growth, adjusted for exchange rate differences, %	-8.6	11.8
Growth in Operating profit, %	-63.8	8.0

## UK, 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. Other units are engaged in sales activities.

Net sales in the first quarter totalled MSEK 170, compared with MSEK 182 in 2012. Operating profit for the same period totalled MSEK 11.0 (15.4) and the operating margin was 6.5 (8.5)%. Adjusted for currency effects, this represents a decrease of 2% compared with the previous year. The lower profit was a result of the lower sales and lower gross margin for the quarter.

UK, Ireland and the Middle East	Q 1	
	2013	2012
Net Sales	169.6	181.9
<i>(of which to group companies)</i>	<i>(2.5)</i>	<i>(1.4)</i>
Operating profit	11.0	15.4
Operating margin, %	6.5	8.5
Sales growth, %	-6.8	25.7
Sales growth, adjusted for exchange rate differences, %	-1.8	23.8
Growth in Operating profit, %	-28.6	54.0

## OTHER EUROPE

This business area comprises our operations in Germany, the Netherlands, France, Spain, Austria and Poland. The largest business is LTS Licht & Leuchten GmbH in Germany, which engages in the development, manufacture and sale of lighting systems.

Net sales for the first quarter totalled MSEK 166, compared with MSEK 184 in the previous year, representing a negative growth of -6 % after adjustments for currency effects. Operating profit for the same period totalled MSEK 19.0 (23.3). The decrease in operating profit was caused by lower sales for all units, mainly within Retail Lighting, with the exception of the operations in Germany, which increased both sales and profit compared with the previous year.

Other Europe	Q 1	
	2013	2012
Net Sales	165.6	184.2
<i>(of which to group companies)</i>	<i>(1.4)</i>	<i>(0.4)</i>
Operating profit	19.0	23.3
Operating margin, %	11.5	12.6
Sales growth, %	-10.1	1.7
Sales growth, adjusted for exchange rate differences, %	-5.6	1.3
Growth in Operating profit, %	-18.5	-16.8

## ASIA AND THE PACIFIC

This business area is mainly comprised of operations in Australia, where, in addition to sales, a certain amount of production takes place. Operations in China refer to sales on the Chinese market.

Net sales for the first quarter totalled MSEK 40, compared to MSEK 63 in the previous year, representing a decrease of 33 % after adjustments for currency effects. The decrease was a consequence of a weak market, where clients prolonged the holiday closures during the summer, which had a serious impact on sales, especially at the start of the quarter. Operating profit was affected by the low volume for the period, totalling MSEK 2.7 (7.5), and the operating margin was 6.7 (11.9)%.

Asia and the Pacific	Q 1	
	2013	2012
Net Sales	40.3	62.8
<i>(of which to group companies)</i>	<i>(0.0)</i>	<i>(0.0)</i>
Operating profit	2.7	7.5
Operating margin, %	6.7	11.9
Sales growth, %	-35.8	36.2
Sales growth, adjusted for exchange rate differences, %	-33.0	26.9
Growth in Operating profit, %	-64.0	97.4

## **OTHER**

This business area is mainly comprised of corporate functions and the Parent Company, AB Fagerhult.

## **FINANCIAL POSITION**

The Group's equity/assets ratio amounted at the end of the quarter to 36 (32)%. Cash and bank balances at the end of the period totalled MSEK 163 (295) and the Group's equity totalled MSEK 918 (866). Net debt was MSEK 896 (959).

Cash flow from operating activities totalled MSEK -22.1 (23.2) due to decreased operating profits and increased stock.

Pledged assets and contingent liabilities totalled MSEK 6.9 (7.1) and MSEK 3.6 (3.9), respectively.

## **INVESTMENTS**

The Group's gross investments in fixed assets amounted to MSEK 15 (9). Additionally, investments in subsidiaries were made totalling MSEK 0 (0).

## **PERSONNEL**

The average number of employees during the period was 2,150 (2,215).

## **THE PARENT COMPANY**

AB Fagerhult's operations consist of corporate management, financing and the coordination of marketing, production and business development. The company reported no sales during the period. Profit after financial items amounted to MSEK 18.9 (10.1).

The number of employees during the period was 5 (6).

## **ACCOUNTING PRINCIPLES**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim report of the Parent Company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Council's recommendation, RFR 2. The principles applied are unchanged compared with previous years.

For further information on the accounting principles applied, see AB Fagerhult's website under Financial Information.

## **RISKS AND UNCERTAINTIES**

The Group's significant risks and factors of uncertainty consist primarily of business risks and financial risks relating to currency and interest rates. Through the Company's international operations, the Fagerhult Group is subject to financial exposure arising from currency fluctuations. Most prominent are the currency risks associated with export sales and the import of raw materials and components. This exposure is reduced through the flow of sensitive currencies being hedged after individual assessment. Currency risks also exist when translating net foreign assets and income. Additional information about the Company's risks can be found in the annual report for 2012. Other than the risks described in the Company's annual report, no further significant risks have arisen.

## PROSPECTS FOR 2013

In recent years, the Group has had a strong sales and earnings trend as a result of good organic growth, and also through acquisitions.

The Indoor Lighting and Outdoor Lighting markets in which Fagerhult operates occur in the late stages of the economic cycle. The weak economic cycle in the construction business had a detrimental effect on our performance during the period. Company management estimates that the lower demand will continue for most of 2013. Indoor Lighting is the Group's largest business segment. Retail Lighting is in an earlier stage of the economic cycle and was therefore affected by a decline as early as in the first half of 2012. Company management's estimate is that Retail Lighting is currently stable, albeit at a low level of demand.

Despite the poorer market climate, the Group intends to continue with significant investments in product development and marketing, as well as increased internationalisation.

Habo, 18 April 2013

AB Fagerhult (publ)

Johan Hjertonsson

Group President and CEO

The Interim Reports for 2013 will be presented on 21 August 2013 and 22 October 2013.

Disclosures can be provided by Johan Hjertonsson, CEO or Håkan Gabrielsson, CFO,

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## THE GROUP

INCOME STATEMENT	2013 Jan-Mar 3 months	2012 Jan-Mar 3 months	2012/13 Apr - Mar 12 months	2012 Jan-Dec 12 months
Net sales	689.3	775.2	2 999.2	3 085.1
(of which outside Sweden)	(515.8)	(582.1)	(2235.7)	(2302.0)
Cost of goods sold	-482.4	-529.3	-2060.7	-2107.6
<b>Gross profit</b>	<b>206.9</b>	<b>245.9</b>	<b>938.5</b>	<b>977.5</b>
Selling expenses	-133.4	-145.5	-567.8	-579.9
Administrative expenses	-42.2	-43.7	-176.2	-177.7
Other operating income	3.1	3.6	31.1	31.6
<b>Operating profit</b>	<b>34.4</b>	<b>60.3</b>	<b>225.6</b>	<b>251.5</b>
Financial items	-5.3	-15.6	-27.3	-37.6
<b>Profit after financial items</b>	<b>29.1</b>	<b>44.8</b>	<b>198.3</b>	<b>213.9</b>
Tax	-7.9	-12.2	-50.5	-54.8
<b>Net profit for the period</b>	<b>21.2</b>	<b>32.5</b>	<b>147.8</b>	<b>159.1</b>
Profit attributed to owners of the parent company	21.2	32.5	147.8	159.1
<b>Earnings per share, calculated on profit attributed to owners of the parent company:</b>				
Earnings per share before dilution, SEK	1.68	2.58	11.72	12.61
Earnings per share after dilution, SEK	1.68	2.58	11.72	12.61
Average no. of outstanding shares before dilution	12 612	12 612	12 612	12 612
Average no. of outstanding shares after dilution	12 612	12 612	12 612	12 612
No. of outstanding shares, thousands	12 612	12 612	12 612	12 612
<b>Profit and other comprehensive income for the period</b>				
<b>Net profit for the period</b>	<b>21.2</b>	<b>32.5</b>	<b>147.8</b>	<b>159.1</b>
<b>Other comprehensive income</b>				
Items which are not reversed in the income statement:				
Actuarial gains	0.2	1.2	10.8	11.8
Items which may be reversed in the income statement:				
Exchange differences on translation foreign operations	-31.9	-11.4	-46.7	-26.2
<b>Other comprehensive income for the period, net of tax</b>	<b>-31.7</b>	<b>-10.2</b>	<b>-35.9</b>	<b>-14.4</b>
<b>Total comprehensive profit for the period</b>	<b>-10.5</b>	<b>22.3</b>	<b>111.9</b>	<b>144.7</b>
Total comprehensive profit for the period attributed to owners of the Parent Company	-10.5	22.3	111.9	144.7

<b>BALANCE SHEET</b>	31 Mar 2013	31 Mar 2012	31 Dec 2012
Intangible fixed assets	942.3	997.2	975.2
Tangible fixed assets	325.2	331.8	338.7
Financial fixed assets	23.9	26.4	22.8
Inventories, etc.	462.6	445.6	445.6
Accounts receivable - trade	508.3	570.1	494.8
Other non interest-bearing current assets	93.1	106.3	89.5
Liquid funds	163.1	294.8	256.8
<b>Total assets</b>	<b>2 518.5</b>	<b>2 772.2</b>	<b>2 623.4</b>
Equity	917.8	886.5	927.9
Long-term interest-bearing liabilities	968.9	1 240.9	1 013.1
Long-term non interest-bearing liabilities	60.3	63.3	60.5
Short-term interest-bearing liabilities	89.7	12.5	117.2
Short-term non interest-bearing liabilities	481.8	569.0	504.7
<b>Total equity and liabilities</b>	<b>2 518.5</b>	<b>2 772.2</b>	<b>2 623.4</b>

The fair value of forward currency agreements amounts to MSEK 32.0 (0) as per 31 March and MSEK 8.3 as per 31 December 2012. Future currency agreements are valued according to level 2 of the valuation hierarchy. For other financial instruments, the fair value is equal to the book value.

<b>CASH FLOW STATEMENT</b>	2013 Jan-Mar 3 months	2012 Jan-Mar 3 months	2012/13 Apr - Mar 12 months	2012 Jan-Dec 12 months
<b>Operating profit</b>	<b>34.4</b>	<b>60.3</b>	<b>225.6</b>	<b>251.5</b>
Adjustment for items not included in the cash flow	14.3	13.8	75.1	74.6
Financial items	-6.0	-7.0	-38.4	-39.4
Paid tax	-21.4	-22.9	-72.9	-74.4
<b>Cash flow generated by operations</b>	<b>21.3</b>	<b>44.2</b>	<b>189.4</b>	<b>212.3</b>
Changes in working capital	-43.4	-21.0	2.6	25.0
<b>Cash flow from continuing operations</b>	<b>-22.1</b>	<b>23.3</b>	<b>192.0</b>	<b>237.3</b>
Cash flow from investing activities	-12.8	-12.2	-80.5	-79.9
Cash flow from financing activities	-50.7	-18.9	-229.5	-197.7
<b>Cash flow for the period</b>	<b>-85.6</b>	<b>-7.9</b>	<b>-118.0</b>	<b>-40.3</b>
Liquid funds at the beginning of the period	256.8	305.7	294.8	305.7
Translation differences in liquid funds	-8.1	-3.0	-13.7	-8.6
<b>Liquid funds at the end of the period</b>	<b>163.1</b>	<b>294.8</b>	<b>163.1</b>	<b>256.8</b>

KEY RATIOS AND DATA PER SHARE	2013	2012	2012/13	2012
	Jan-Mar 3 months	Jan-Mar 3 months	Apr - Mar 12 months	Jan-Dec 12 months
Sales growth, %	-11.1	11.8	-2.8	2.1
Growth in operating profit, %	-43.0	14.2	-10.3	-20.8
Growth in profit after financial items, %	-34.9	0.0	-7.3	-25.3
Operating margin, %	5.0	7.8	7.5	8.2
Profit margin, %	4.2	5.8	6.6	6.9
Liquid ratio, %	29	51	29	41
Net debt/equity ratio, % <sup>1)</sup>	98	108	98	94
Equity/assets ratio, %	36	32	36	35
Capital employed, MSEK	1 976	2140	1 976	2 058
Return on capital employed, %	7.4	11.3	11.3	12.2
Return on equity, %	9.2	14.9	16.4	17.8
Net debt, MSEK	896	959	896	874
Gross investments in fixed assets, MSEK	15.4	9.2	99.9	93.7
Net investments in fixed assets, MSEK	15.4	9.2	98.1	91.9
Depreciation of fixed assets, MSEK	21.7	22.9	83.6	84.8
Number of employees	2 150	2 215	2 192	2 192
Equity per share, SEK	72.77	70.29	72.77	73.57
No. of outstanding shares, thousands	12 612	12 612	12 612	12 612

## CHANGE IN EQUITY

### Attributable to the owners of the parent company

	Share capital	Other contributed capital	Difference on translation	Profit carried forward	Total equity
<b>Equity as per 1 January 2012</b>	<b>65.5</b>	<b>159.4</b>	<b>-61.0</b>	<b>700.3</b>	<b>864.2</b>
Net profit for the period				32.5	32.5
Other comprehensive income for the period			-11.4	1.2	-10.2
Total comprehensive profit for the period			-11.4	33.7	22.3
<b>Equity as per 31 March 2012</b>	<b>65.5</b>	<b>159.4</b>	<b>-72.4</b>	<b>734.0</b>	<b>886.5</b>
Equity as per 1 January 2013	<b>65.5</b>	<b>159.4</b>	<b>-87.2</b>	<b>790.2</b>	<b>927.9</b>
Net profit for the period				21.2	21.2
Other comprehensive income for the period			-31.9	0.2	-31.7
Total comprehensive profit for the period			-31.9	21.4	-10.5
Performance share program				0.4	0.4
<b>Equity as per 31 March 2013</b>	<b>65.5</b>	<b>159.4</b>	<b>-119.1</b>	<b>812.0</b>	<b>917.8</b>

## PARENT COMPANY

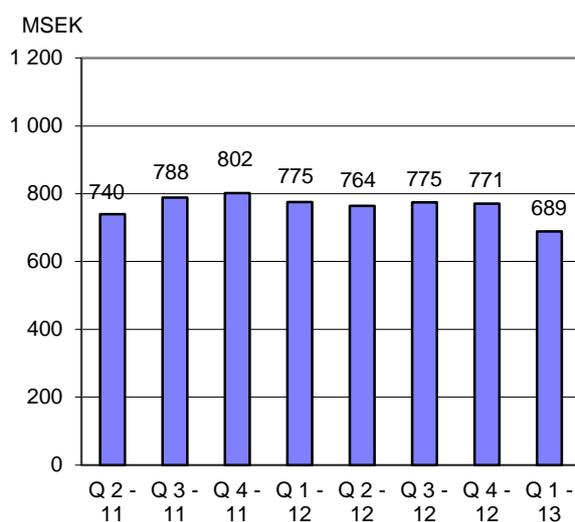
INCOME STATEMENT	2013 Jan-Mar 3 months	2012 Jan-Mar 3 months	2012/13 Apr - Mar 12 months	2012 Jan-Dec 12 months
Net sales	0.6	1.0	8.3	8.7
Selling expenses	-0.6	-2.3	-4.8	-6.5
Administrative expenses	-5.2	-5.3	-18.9	-19.0
<b>Operating profit</b>	<b>-5.2</b>	<b>-6.6</b>	<b>-15.4</b>	<b>-16.8</b>
Income from shares in subsidiaries	24.5	21.1	92.5	89.1
Financial items	-0.4	-4.4	-13.5	-17.5
<b>Profit after financial items</b>	<b>18.9</b>	<b>10.1</b>	<b>63.6</b>	<b>54.8</b>
Changes in tax allocation reserve	-	-	-8.6	-8.6
Tax	-	-	-7.0	-7.0
<b>Net profit</b>	<b>18.9</b>	<b>10.1</b>	<b>48.0</b>	<b>39.2</b>

BALANCE SHEET	31 Mar 2013	31 Mar 2012	31 Dec 2012
Financial fixed assets	1 402.3	1 698.9	1 440.8
Other non interest-bearing current assets	28.6	22.7	20.4
Cash and bank balances	32.5	-	42.3
<b>Total assets</b>	<b>1 463.4</b>	<b>1 721.6</b>	<b>1 503.5</b>
Equity	393.0	425.6	373.7
Untaxed reserves	30.0	21.4	30.0
Long-term interest-bearing liabilities	913.3	1 164.4	951.7
Long-term non interest-bearing liabilities	-	-	1.7
Short-term interest-bearing liabilities	123.3	103.3	139.1
Short-term non interest-bearing liabilities	3.8	6.9	7.3
<b>Total equity and liabilities</b>	<b>1 463.4</b>	<b>1 721.6</b>	<b>1 503.5</b>

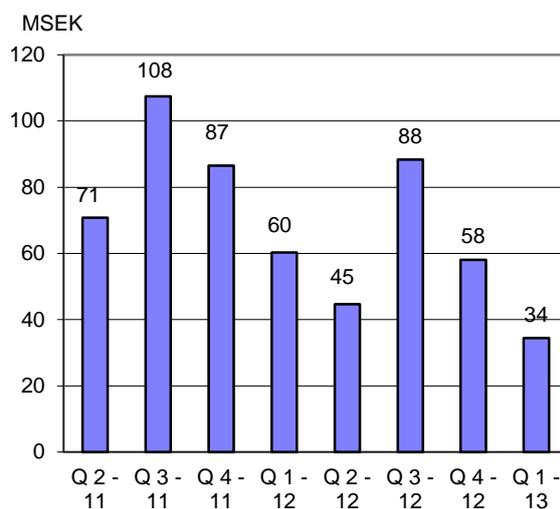
## CHANGE IN EQUITY

	Share capital	Statutory reserve	Profit carried forward	Total equity
<b>Equity as at 1 January 2012</b>	<b>65.5</b>	<b>159.4</b>	<b>190.6</b>	<b>415.5</b>
Performance share program			1.0	1.0
Net profit for the period			39.2	39.2
Dividend paid, SEK 6.50 per share			-82.0	-82.0
<b>Equity as at 31 December 2012</b>	<b>65.5</b>	<b>159.4</b>	<b>148.8</b>	<b>373.7</b>
Performance share program			0.4	0.4
Net profit for the period			18.9	18.9
<b>Equity as at 31 March 2013</b>	<b>65.5</b>	<b>159.4</b>	<b>168.1</b>	<b>393.0</b>

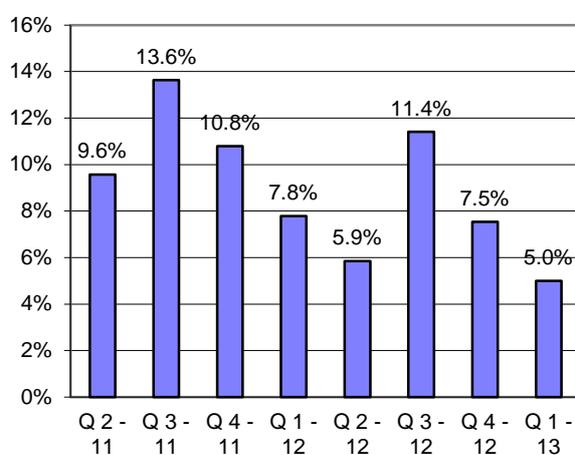
### Net sales



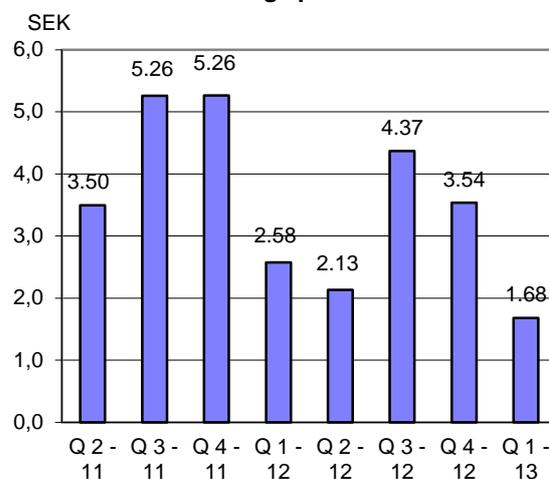
### Operating profit



### Operating margin



### Earnings per share



## KEY RATIOS AND DATA PER SHARE

	2009	2010	2011	2012	2012/13 Jan-Mar 12 months
Net sales, MSEK	2 436	2 506	3 023	3 085	2 999
Operating profit, MSEK	104	153	318	252	226
Profit after financial items, MSEK	105	135	286	214	198
Earnings per share, SEK	5.87	7.49	16.52	12.61	11.72
Sales growth, %	-12.1	2.8	20.6	2.1	-2.8
Growth in operating profit, %	-61.7	46.7	107.7	-20.8	-10.3
Growth in profit after financial items, %	-59.7	28.6	112.8	-25.3	-7.3
Operating margin, %	4.3	6.1	10.5	8.2	7.5
Net debt/equity ratio, % <sup>1)</sup>	43	132	113	94	98
Equity/assets ratio, %	42	29	31	35	36
Capital employed, MSEK	1 220	1 885	2 145	2 058	1 976
Return on capital employed, %	9.8	11.0	16.2	12.2	11.3
Return on equity, %	10.4	13.1	26.6	17.8	16.4
Net debt, MSEK	305	955	975	874	896
Net investments in fixed assets, MSEK	90	83	66	92	98
Depreciation of fixed assets, MSEK	75	84	89	85	84
Number of employees	1 881	1 926	2 228	2 208	2 192