

Interim Report January - March 2014

- Orders received amounted to MSEK 983.3 (733.1), an increase of 24 % adjusted for currency effects and acquired operations
- Net sales totalled MSEK 885.5 (689.3), an increase of 21 % adjusted for currency effects and acquired operations
- Operating profit was MSEK 75.3 (34.3). The operating margin was 8.5 (5.0) %.
- Profit after tax amounted to MSEK 49.5 (21.2), an increase of 133%
- Earnings per share was SEK 3.92 (1.68)

Comments by CEO Johan Hjertzonsson:

- The Group's best Q1 for orders received, sales and operating profit.
- The Group has increased the market shares in several important markets
- We have increased the order book by almost MSEK 100.
- The quarter includes two large orders in the UK amounting to MSEK 60, of which fifty percent has been invoiced in the first quarter.
- Retained strong gross margins.
- The share of LED solutions amounted to approximately 30 % during the quarter.
- We are of the opinion that the market will continue to improve during the year, but the upturn may be drawn out and will vary between markets.
- The acquisition of Arlight was completed in February but has not had any impact of profit for the quarter, as acquisition costs negate the operating profit.

THE GROUP

JANUARY- MARCH

The signs of a recovery are evident within the lighting market, although this is not likely to happen overnight and the rate of recovery will vary between the Group's geographical markets. The improvements can be seen in all of our market segments, with somewhat higher growth within Retail Lighting, especially in Western Europe.

The Group's orders received amounted to MSEK 983.3 (733.1), corresponding to an increase of 34 %.

Orders received in the acquired entities I-Valo and Arlight account for 8 % of the increase, while currency fluctuations have also had a positive effect, contributing 2 %. After adjustments for acquired operations and currency effects, the increase compared with the equivalent quarter during the previous year is 24 %. The development of the underlying business has been positive on the majority of the Group's markets,

including two large orders received in the UK during the quarter within Indoor Lighting, totalling MSEK 60. Of this amount, half has been invoiced during the first quarter, with the remaining MSEK 30 due to be invoiced at some point during the remainder of 2014.

The Group's net sales amounted to MSEK 885.5 (689.3), an increase of 28%, of which currency effects accounted for 2 % and acquired operations for 5 %. Adjusted for acquisitions and currency effects, growth was 21 %.

Orders received and sales have experienced high levels of growth in Retail Lighting, especially in the UK, France, Spain and Australia. We have seen a broad improvement in Indoor Lighting, with particular positive development in the UK and Scandinavia. Orders received and sales at the beginning of 2013 were relatively weak, which has impacted the comparative period. The Group's growth during the last three quarters has, however, been significantly higher than the market's growth rate, and management subsequently deems that market shares has increased on the majority of the Group's larger markets.

Operating profit increased by MSEK 41 compared with the previous year, to MSEK 75.3 (34.3). The improvement in profit compared with the first quarter 2013 is a result of higher sales, with a more optimised use of capacity in the Group's production facilities. Our investments in product development in the context of the technological shift to LED are continuing to make progress.

Currency effects on the profit for the period were positive, amounting to MSEK 1. Acquired entities had no material impact on operating profit for the quarter, as the acquisition costs recognised in the quarter offset the positive effects of Arlight and I-Valo. The acquisition of Arlight was completed on 12 February and the company has been consolidated as of February.

Financial items amounted to MSEK -8.4 (-5.3). The higher level of expenses was primarily a result of positive currency effects in the comparative period. Interest expenses were MSEK 0.6 higher in the first quarter of 2014, due to higher net debt. As a consequence of the improved profit, tax expenses for the quarter increased to MSEK -17.4 (-7.9), although this implies the application of a lower tax rate than in the previous year. Earnings per share were SEK 3.92 (1.68).

Sales within all product areas increased compared with the previous year. Sales within Indoor Lighting increased by 21 % compared with the previous year, while Retail Lighting experienced growth of 23 % and Outdoor Lighting showed a 15 % improvement. All of these percentages are stated after adjustments for acquisitions and currency effects.

Net sales per product area	Q 1	
	2014	2013
Indoor Lighting	589.3	449.6
Retail Lighting	255.2	203.9
Outdoor Lighting	41.0	35.8
	885.5	689.3

BUSINESS AREAS

NET SALES AND OPERATING PROFIT PER BUSINESS AREA						
	Net Sales		Operating profit		Operating margin,%	
	Q 1		Q 1		Q 1	
	2014	2013	2014	2013	2014	2013
Northern Europe	477.6	393.9	31.6	6.8	6.6	1.7
UK and Ireland ¹⁾	237.5	169.6	26.3	11.0	11.1	6.5
Other Europe	198.0	165.6	15.9	19.0	8.0	11.5
Middle East, Asia and the Pacific ¹⁾	82.7	40.3	7.4	2.7	8.9	6.7
Other			-5.9	-5.1	-	-
Elimination	-110.3	-80.1				
Total	885.5	689.3	75.3	34.4	8.5	5.0
Financial unallocated items			-8.4	-5.3		
Profit before tax			66.9	29.1		

¹⁾ Operations in the United Arab Emirates as previously reported together with the UK and Ireland are now included in the segment Middle East, Asia and the Pacific together with, among others, the newly acquired company Arlight. Comparative figures have been adjusted.

NORTHERN EUROPE

This business area is comprised of the Group's units and companies in the Nordic countries, the Baltic countries and Russia. This area also includes the factory in China, which involves manufacturing and purchases. The company, I-Valo Oy, which was acquired during 2013, is included in the Northern Europe segment. In Sweden and Finland, operations are comprised of development work, manufacturing and sales, while operations in other markets, with the exception of China, comprise only of sales.

Net sales in the first quarter amounted to MSEK 477.6, compared with MSEK 393.9 in the previous year. Adjusted for currency effects and acquisitions, the increase was 18 %, with good growth seen in both Sweden and Denmark. Operating profit for the same period amounted to MSEK 33.6 (6.8) and the operating margin to 7.0 (1.7) %. The increase of the operating margin was the effect of higher sales and a better utilisation of capacity in the production facilities.

Northern Europe		
	Q 1	
	2014	2013
Net Sales	477.6	393.9
<i>(of which to group companies)</i>	<i>(100.9)</i>	<i>(76.2)</i>
Operating profit	31.6	6.8
Operating margin, %	6.6	1.7
Sales growth, %	21.2	-9.8
Sales growth, adjusted for exchange rate differences, %	21.9	-8.6
Growth in Operating profit, %	364.7	-63.8

UK AND IRELAND

This business area comprises our companies in England and Ireland. The dominant unit is Whitecroft Lighting, which engages in the development, manufacture and sale of lighting systems.

Net sales in the first quarter amounted to MSEK 237.5, compared with MSEK 159.8 during the previous year. Adjusted for currency effects, this represents a growth of 39 %. A total of MSEK 30, or 19 %, of the increased sales were attributable to the two aforementioned large projects, while other business operations increased by 20 %. This positive development is the result of a combination of increased market shares and the gradual recovery of the market in the UK. Operating profit for the same period amounted to MSEK 26.3 (9.3) and the operating margin to 11.1 (5.8) %.

UK and Ireland	Q 1	
	2014	2013
Net Sales	237.5	159.8
<i>(of which to group companies)</i>	<i>(6.4)</i>	<i>(9.9)</i>
Operating profit	26.3	9.3
Operating margin, %	11.1	5.8
Sales growth, %	48.6	-10.2
Sales growth, adjusted for exchange rate differences, %	38.7	-5.2
Growth in Operating profit, %	182.8	-32.1

OTHER EUROPE

This business area includes operations in Germany, Holland, France, Spain, Slovakia and Poland. The largest operations are LTS Licht & Leuchten GmbH in Germany, which engages in the development, manufacturing and sale of lighting systems.

Net sales in the first quarter amounted to MSEK 198.0, compared with MSEK 165.6 in the previous year, representing a growth of 15 % when adjusted for currency effects. Operating profit for the same period amounted to MSEK 15.9 (19.0). The decrease in operating profit was caused by lower margins resulting from a changed sales mix and expenses attributable to the "Light and Building" and "Euroshop" trade fairs in Germany.

Other Europe	Q 1	
	2014	2013
Net Sales	198.0	165.6
<i>(of which to group companies)</i>	<i>(3.1)</i>	<i>(1.4)</i>
Operating profit	15.9	19.0
Operating margin, %	8.0	11.5
Sales growth, %	19.6	-10.1
Sales growth, adjusted for exchange rate differences, %	14.7	-5.6
Growth in Operating profit, %	-16.3	-18.5

MIDDLE EAST, ASIA AND THE PACIFIC

This business area is comprised of our operations in Turkey, the United Arab Emirates and Australia. The company acquired during the quarter, Arlight, with its registered offices in Ankara, has been consolidated in the segment. Operations in Australia and Turkey consist of the development, manufacture and sale of lighting systems, while operations in the United Arab Emirates consist purely of sales.

Net sales in the fourth quarter amounted to MSEK 82.7, compared with MSEK 57.5 in the previous year. After adjustments for currency effects and acquisitions, this represents an increase of 18 %.

The increase can be attributed to improved sales in Australia, where results at the beginning of the previous year were weak. Operating profit amounted to MSEK 5.4 (4.4) and the operating margin to 6.5 (7.7) %. Following the acquisition in February, Arlight contributed net sales of MSEK 23. As acquisition costs totalled the same amount as the entity's operating profit, Arlight had no impact on the segment's overall profit during the quarter. The operating margin, excluding Arlight, improved due to increased sales.

Middle East, Asia and the Pacific	Q 1	
	2014	2013
Net Sales	82.7	57.5
<i>(of which to group companies)</i>	<i>(0.0)</i>	<i>(0.0)</i>
Operating profit	7.4	4.4
Operating margin, %	8.9	7.7
Sales growth, %	43.8	-23.0
Sales growth, adjusted for exchange rate differences, %	56.9	-19.9
Growth in Operating profit, %	68.2	-52.2

OTHER

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

FINANCIAL POSITION

The Group's equity/assets ratio at the end of the quarter was 33 (36) %. Cash and bank balances at the end of the period amounted to MSEK 227 (163) and the Group's equity totalled MSEK 1,093 (918). Net debt was MSEK 1,148 (896). The increase to net debt and the lower equity/assets ratio compared with the previous year are both attributable to the acquisitions of Arlight and I-Valo.

Cash flow from operating activities amounted to MSEK 17.5 (-22.1). The improvement, a total of MSEK 39.6, is due to the MSEK 40.9 improvement in operating profit, in tandem with the growth of the Group being achieved with a low level of capital tied up.

Pledged assets and contingent liabilities amounted to MSEK 7.1 (6.9) and MSEK 1.7 (3.6), respectively.

INVESTMENTS

The Group's gross investments in fixed assets amounted to MSEK 29 (15). In addition, investments in subsidiaries were undertaken amounting to MSEK 232.6 (0).

ACQUISITION

Arlight

In order to further strengthen the Fagerhult Group's position in the European market, and to gain access to the Turkish market, Fagerhult signed an agreement on 20 December 2013 to acquire 100 % of the shares in Arlight, with its registered offices in Ankara, Turkey. The acquisition was finalised on 12 February 2014. This acquisition gives us access to a modern low-cost factory in the vicinity of our large, existing markets.

Arlight has 160 employees and manufactures light fixtures and lighting systems, primarily intended for outdoor use. Examples of suitable areas of application include offices, schools, hospitals, galleries and airports.

In 2013, the company reported sales of MEUR 19.2 and operating profit of MEUR 3.5.

Fagerhult is paying a price of MEUR 28 (debt free cash free basis) for 100 % of the shares in Arlight. A further maximum of MEUR 7 may be payable as supplementary purchase price between now and 2015, depending on Arlight's earnings growth. The transaction is being financed with funds from existing credit facilities.

Goodwill and other intangible assets with an indefinite useful life amount to around MSEK 250 and are reported under the business area Middle East, Asia and the Pacific. The Company has been consolidated in the Fagerhult Group from the first quarter of 2014.

PERSONNEL

The average number of employees during the period was 2,288 (2,150).

PARENT COMPANY

AB Fagerhult's operations consist of corporate management, financing and coordination of marketing, production and business development. The Company reported no sales during the period. Profit after financial items amounted to MSEK 20.6 (18.9).

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

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 related to 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 profits. Additional information about the Company's risks can be found in the Annual Report for 2013. Other than those risks described in the Company's Annual Report, no further significant risks have arisen.

PROSPECTS FOR 2014

The Group has, in recent years, had a strong sales and earnings trend through good organic growth, but also through acquisitions.

During the second half of 2013, the market began to show signs of a gradual recovery, and Company management believes that this will continue throughout all of 2014. Assessing the development of the market during the later parts of the year is difficult, and the pace of the recovery varies between geographical regions.

Of those markets in which Fagerhult is active, Indoor Lighting and Outdoor Lighting are situated late in the business cycle, while Retail Lighting comes in somewhat earlier. The differences between the three product areas are, however, not as accentuated in the context of this recovery of the economic cycle, and improvements are expected within all product areas.

The Group intends to continue with its significant investments in product development and marketing, as well as to continue its focus on increased internationalisation.

The acquisitions of I-Valo, completed in June 2013, and of Arlight, completed in February 2014, are expected to have a positive effect on the Company's earnings per share during 2014.

Habo, 24 April 2014

AB Fagerhult (publ)

Johan Hjertonsson
Group President and CEO

The interim reports for 2014 will be presented on 21 August and 21 October 2014.

Further information can be obtained from Johan Hjertonsson, CEO or Håkan Gabrielsson, CFO, tel +46 36 10 85 00.

AB Fagerhult (publ)
Corporate Identity Number 556110-6203
SE-566 80 Habo
Tel +46(0) 36-10 85 00
headoffice@fagerhult.se
www.fagerhult.se

THE GROUP

INCOME STATEMENT

	2014 Jan - Mar 3 months	2013 Jan - Mar 3 months	2013/14 Apr - Mar 12 months	2013 Jan- Dec 12 months
Net sales	885.5	689.3	3 291.4	3 095.2
(of which outside Sweden)	(673.0)	(515.8)	(2 526.2)	(2 369.0)
Cost of goods sold	-604.3	-482.4	-2206.8	-2086.9
Gross profit	281.2	206.9	1084.6	1008.3
Selling expenses	-158.3	-133.4	-585.3	-560.4
Administrative expenses	-53.1	-42.2	-197.1	-184.2
Other operating income	5.5	3.1	16.2	13.8
Operating profit	75.3	34.4	318.4	277.5
Financial items	-8.4	-5.3	-33.6	-30.5
Profit after financial items	66.9	29.1	284.8	247.0
Tax	-17.4	-7.9	-73.9	-64.4
Net profit for the period	49.5	21.2	210.9	182.6
Profit attributed to owners of the parent company	49.5	21.2	210.9	182.6
Earnings per share, calculated on profit attributed to owners of the parent company:				
Earnings per share before dilution, SEK	3.92	1.68	16.72	14.48
Earnings per share after dilution, SEK	3.92	1.68	16.72	14.48
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
Profit and other comprehensive income for the period				
Net profit for the period	49.5	21.2	210.9	182.6
Other comprehensive income				
Items which are not reversed in the income statement:				
Revaluation of pension plans	-0.2	0.2	-1.4	-1.0
Items which may be reversed in the income statement:				
Exchange differences on translation foreign operations	13.2	-31.9	45.7	0.6
Other comprehensive income for the period, net of tax	13.0	-31.7	44.3	-0.4
Total comprehensive profit for the period	62.5	-10.5	255.2	182.2
Total comprehensive profit for the period attributed to owners of the Parent Company	62.5	-10.5	255.2	182.2

BALANCE SHEET	31 Mar 2014	31 Mar 2013	31 Dec 2013
Intangible fixed assets	1307.7	942.3	1 047.8
Tangible fixed assets	346.5	325.2	333.0
Financial fixed assets	46.0	23.9	23.2
Inventories, etc.	581.4	462.6	525.1
Accounts receivable - trade	694.0	508.3	577.4
Other non interest-bearing current assets	75.8	93.1	65.7
Liquid funds	227.3	163.1	248.6
Total assets	3 278.7	2 518.5	2 820.8
Equity	1 092.7	917.8	1 029.8
Long-term interest-bearing liabilities	1 315.4	968.9	1 074.4
Long-term non interest-bearing liabilities	127.2	60.3	63.7
Short-term interest-bearing liabilities	59.7	89.7	59.0
Short-term non interest-bearing liabilities	683.7	481.8	593.9
Total equity and liabilities	3 278.7	2 518.5	2 820.8

CASH FLOW STATEMENT	2014 Jan - Mar 3 months	2013 Jan - Mar 3 months	2013/14 Apr - Mar 12 months	2013 Jan- Dec 12 months
Operating profit	75.3	34.4	318.4	277.5
Adjustment for items not included in the cash flow	22.2	14.3	79.4	71.5
Financial items	-9.0	-6.0	-27.9	-24.9
Paid tax	-18.1	-21.4	-18.1	-21.4
Cash flow generated by operations	70.4	21.3	351.8	302.7
Changes in working capital	-52.9	-43.4	-91.1	-81.6
Cash flow from continuing operations	17.5	-22.1	260.7	221.1
Cash flow from investing activities	-278.9	-12.8	-420.1	-154.0
Cash flow from financing activities	238.1	-50.7	212.4	-76.4
Cash flow for the period	-23.3	-85.6	52.8	-9.3
Liquid funds at the beginning of the period	248.6	256.8	163.1	256.8
Translation differences in liquid funds	2.0	-8.1	11.2	1.1
Liquid funds at the end of the period	227.3	163.1	227.3	248.6

KEY RATIOS AND DATA PER SHARE

	2014 Jan - Mar 3 months	2013 Jan - Mar 3 months	2013/14 Apr - Mar 12 months	2013 Jan- Dec 12 months
Sales growth, %	28,5	-11,1	6,3	0,3
Growth in operating profit, %	118,9	-43,0	14,7	10,3
Growth in profit after financial items, %	129,9	-34,9	15,3	15,5
Operating margin, %	8,5	5,0	9,7	9,0
Profit margin, %	7,6	4,2	8,7	8,0
Liquid ratio, %	31	29	31	38
Net debt/equity ratio, %	105	98	105	86
Equity/assets ratio, %	33	36	33	37
Capital employed, MSEK	2 468	1 976	2 468	2 163
Return on capital employed, %	13,1	7,4	14,3	13,3
Return on equity, %	18,7	9,2	21,0	18,7
Net debt, MSEK	1148	896	1148	885
Gross investments in fixed assets, MSEK	29,0	15,4	78,7	65,1
Net investments in fixed assets, MSEK	29,0	15,4	78,7	65,1
Depreciation of fixed assets, MSEK	24,3	21,7	91,1	88,5
Number of employees	2 288	2 150	2 185	2 204
Equity per share, SEK	86,64	72,77	86,64	81,65
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
Equity as per 1 January 2013	65.5	159.4	-87.2	790.2	927.9
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
Equity as per 31 March 2013	65.5	159.4	-119.1	812.0	917.8
Equity as per 1 January 2014	65.5	159.4	-86.6	891.5	1 029.8
Net profit for the period				49.5	49.5
Other comprehensive income for the period			13.2	-0.2	13.0
Total comprehensive profit for the period			13.2	49.3	62.5
Performance share program				0.4	0.4
Equity as per 31 March 2014	65.5	159.4	-73.4	941.2	1 092.7

PARENT COMPANY

INCOME STATEMENT

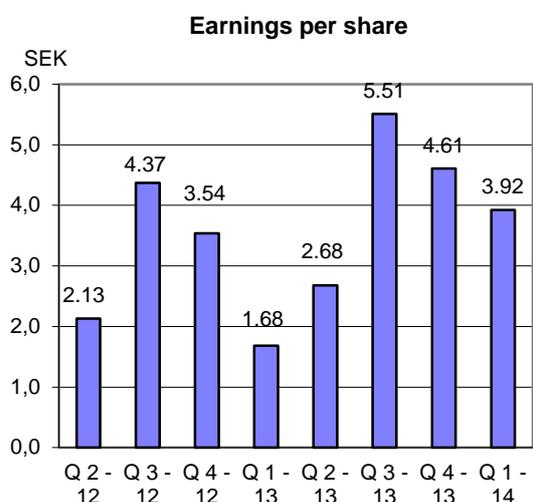
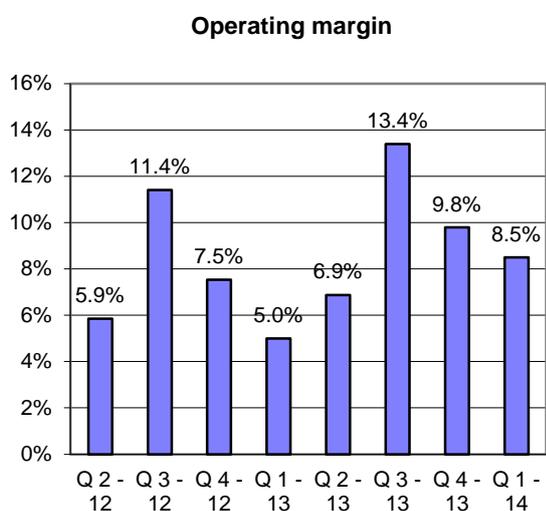
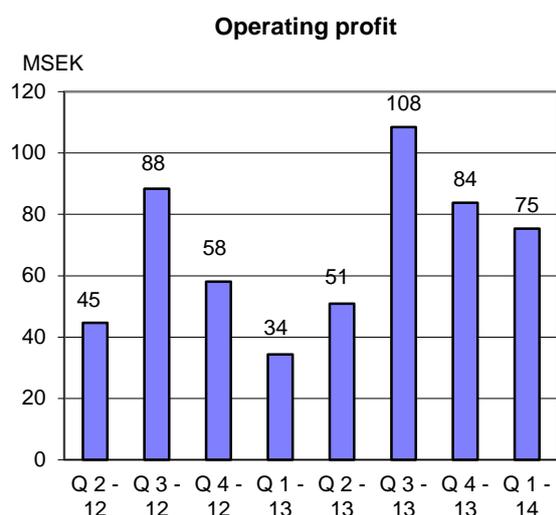
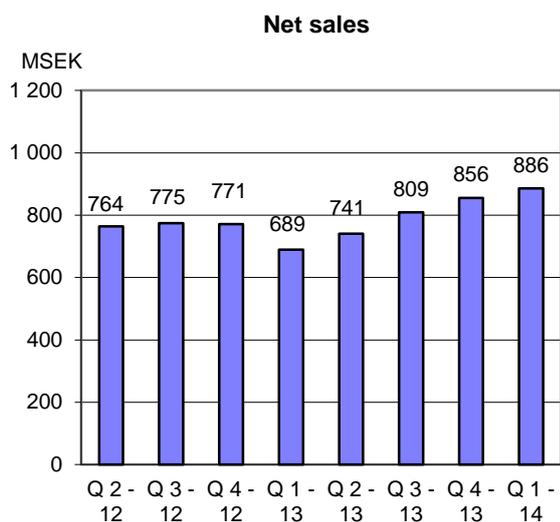
	2014 Jan - Mar 3 months	2013 Jan - Mar 3 months	2013/14 Apr - Mar 12 months	2013 Jan - Dec 12 months
Net sales	1.0	0.6	9.1	8.7
Selling expenses	-1.0	-0.6	-2.8	-2.4
Administrative expenses	-6.0	-5.2	-34	-33.2
Operating profit	-6.0	-5.2	-27.7	-26.9
Income from shares in subsidiaries	26.5	24.5	171.5	169.5
Financial items	0.1	-0.4	-9.0	-9.5
Profit after financial items	20.6	18.9	134.8	133.1
Tax	-	-	-13.1	-13.1
Net profit	20.6	18.9	121.7	120.0

BALANCE SHEET

	31 Mar 2014	31 Mar 2013	31 Dec 2013
Financial fixed assets	1 749.2	1 402.3	1 512.1
Other non interest-bearing current assets	4.4	28.6	3.6
Cash and bank balances	105.1	32.5	122.9
Total assets	1 858.7	1 463.4	1 638.6
Equity	434.4	393.0	413.4
Untaxed reserves	30.0	30.0	30.0
Long-term interest-bearing liabilities	1 241.6	913.3	1 008.8
Long-term non interest-bearing liabilities	1.7	-	1.7
Short-term interest-bearing liabilities	55.3	123.3	55.3
Short-term non interest-bearing liabilities	95.7	3.8	129.4
Total equity and liabilities	1 858.7	1 463.4	1 638.6

CHANGE IN EQUITY

	Share capital	Statutory reserve	Profit carried forward	Total equity
Equity as at 1 January 2013	65.5	159.4	148.8	373.7
Performance share program			1.7	1.7
Net profit for the period			120.0	120.0
Dividend paid, SEK 6.50 per share			-82.0	-82.0
Equity as at 31 December 2013	65.5	159.4	188.5	413.4
Performance share program			0.4	0.4
Net profit for the period			20.6	20.6
Equity as at 31 March 2014	65.5	159.4	209.5	434.4



KEY RATIOS AND DATA PER SHARE

	2010 ¹⁾	2011	2012	2013	2013/14 Apr-Mar 12 months
Net sales, MSEK	2 506	3 023	3 085	3 095	3 291
Operating profit, MSEK	153	318	252	278	318
Profit after financial items, MSEK	135	286	214	247	285
Earnings per share, SEK	7,49	16,52	12,61	14,48	16,72
Sales growth, %	2,8	20,6	2,1	0,3	6,3
Growth in operating profit, %	46,7	107,7	-20,8	10,3	14,7
Growth in profit after financial items, %	28,6	112,8	-25,3	15,5	15,3
Operating margin, %	6,1	10,5	8,2	9,0	9,7
Net debt/equity ratio, %	132	113	94	86	105
Equity/assets ratio, %	29	31	35	37	33
Capital employed, MSEK	1 885	2 145	2 058	2 163	2 468
Return on capital employed, %	11,0	16,2	12,2	13,3	14,3
Return on equity, %	13,1	26,6	17,8	18,7	21,0
Net debt, MSEK	955	975	874	885	1 148
Net investments in fixed assets, MSEK	83	66	92	65	79
Depreciation of fixed assets, MSEK	84	89	85	89	91
Number of employees	1 926	2 228	2 192	2 204	2 185

¹⁾ Key ratios for 2010 has not been adjusted due to changed accounting principles