

Interim Report January–March 2015

- The order intake was MSEK 976.1 (983.3), which is a decrease of 6 per cent adjusted for currency effects and acquired units
- Net sales were MSEK 905.5 (885.5), which is a decrease of 5 per cent adjusted for currency effects and acquired units
- The operating profit was MSEK 72.7 (75.4), representing an operating margin of 8.0 (8.5) per cent
- Earnings after tax were MSEK 51.6 (49.5), an increase of 4 per cent
- Earnings per share were SEK 1.36 (1.31)
- Cash flow from operating activities was MSEK 56.5 (17.5)

Comments from CEO Johan Hjertonsson:

- A stable quarter which consolidates the Group at the same high level as in the first quarter of 2014.
- Cash flow and earnings per share were better than in the previous year.
- The order intake, sales and operating profit continues at a good level.
- The order backlog is at a satisfactory high level.
- The LED share in the period was about 50 per cent.
- Market growth over the period was good in the UK, stable in Scandinavia and lower in large parts of the eurozone.

GROUP

JANUARY-MARCH

The market for lighting solutions is estimated to have grown at the same pace as in the last quarter of 2014. Market growth varies geographically, with the UK being the fastest growing among the Group's major markets.

The Group's order intake was a robust MSEK 976.1 (983.3). The first quarter of 2015 was thus one of the Group's best quarters to date, with a 1 per cent lower order intake than in the first quarter of 2014. Adjusted for currency and acquisition effects, the order intake declined by 6 per cent.

The comparative period included an order intake of MSEK 60 relating to two very large projects in the UK which involved a transition to energy-smart LED solutions. Excluding these projects, the underlying order

intake remained unchanged. The Group's ambition is to continue to win contracts for major projects, and the distribution of projects over time may affect growth rates in individual quarters.

Net sales were MSEK 905.5 (885.5), which was an increase of 2 per cent. Adjusted for currency and acquisition effects, sales decreased by 5 per cent, which is due to the aforementioned projects in the comparative period.

The share of LED products continues to increase, with LED now accounting for half of consolidated net sales. The focus is now partly on accelerating development activities for the next phase of the technological shift and partly on phasing out light fixtures with traditional light sources. By continuing to invest in product development and by developing our sales organisation, we have strengthened our product offering and brands.

Our underlying business has performed well in most of our main markets, including Sweden, the UK and Germany, while growth in Spain, France and the Netherlands was more modest in the first quarter.

The operating profit was MSEK 72.4 (75.3), i.e. a stable profit in line with the previous year. The underlying profit, adjusted for currency effects, acquisitions and the aforementioned major projects, was also unchanged. Changes in exchange rates added MSEK 7 to the operating profit compared with the previous year. The British pound, in particular, added to the profit while the strengthening of the Chinese yuan had a negative impact on earnings through increased production costs for the Group's production plant in China.

Financial items were MSEK -3.9 (-8.4). The lower net financial expense was partly a result of currency effects, which added MSEK 2 compared with the previous year and partly due to a decrease of MSEK 2 in the interest expense owing to a lower net debt and reduced interest rates.

The tax expense for the quarter was MSEK -17.2 (-17.4), which resulted in a slightly lower tax rate than in the previous year. Earnings per share were SEK 1.36 (1.31).

Sales in Indoor Lighting were down by 4 per cent on the previous year due to a number of major projects of a non-recurring nature in the comparative period. Sales in Retail Lighting decreased by 10 per cent, mainly on the back of lower sales in France and Australia. Outdoor Lighting increased its sales by 7 per cent thanks to strong sales of the new Vialume and Evolume products in the Nordics. All changes have been adjusted for acquisitions and currency effects.

Net sales by product area	Q1	
	2015	2014
Indoor Lighting	623.0	589.3
Retail Lighting	236.9	255.2
Outdoor Lighting	45.6	41.0
	905.5	885.5

BUSINESS AREAS

NET SALES AND OPERATING PROFIT BY BUSINESS AREA						
	Net sales		Operating profit		Operating margin, %	
	Q1		Q1		Q1	
	2015	2014	2015	2014	2015	2014
Northern Europe	432.7	477.6	26.3	31.6	6.1	6.6
UK and Ireland	257.5	237.5	20.9	26.3	8.1	11.1
Rest of Europe	190.9	198.0	20.1	15.9	10.5	8.0
Middle East, Asia and Australia	115.7	82.7	13.0	7.4	11.2	8.9
Other markets			-7.6	-5.9	-	-
Eliminations	-91.3	-110.3				
Total	905.5	885.5	72.7	75.3	8.0	8.5
Financial, unallocated items			-3.9	-8.4		
Profit before tax			68.8	66.9		

NORTHERN EUROPE

The business area comprises the Group's units and companies in the Nordic and Baltic countries and Russia. The Group's plant in China, including manufacturing and purchasing, is also part of the business area. In Sweden and Finland the Group conducts development, manufacturing and sales activities while operations in other markets, with the exception of China, refer only to sales.

Net sales in the first quarter were MSEK 432.7, compared with MSEK 477.6 in the same period in the previous year. Adjusted for currency effects and acquired units, the decrease was 9.8 per cent. The decrease in net sales was mainly due to intercompany sales in the Retail product area and is also explained by lower internal sales to sales companies outside Northern Europe and efficiencies in logistics flows, which resulted in changes in internal sales. The operating profit for the same period was MSEK 26.3 (31.6) and the operating margin 6.1 (6.6) per cent. The lower operating profit was an effect of lower sales and higher production costs in China as a result of a stronger Chinese yuan.

Northern Europe	Q1	
	2015	2014
Net sales	432.7	477.6
<i>(of which, intercompany sales)</i>	<i>(66.6)</i>	<i>(100.9)</i>
Operating profit	26.3	31.6
Operating margin, %	6.1	6.6
Sales growth, %	-9.4	21.2
Sales growth, adjusted for currency effects %	-9.8	21.9
Growth in operating profit, %	-16.8	364.7

UK AND IRELAND

The business area comprises our companies in the United Kingdom and Ireland. The dominant unit is Whitecroft Lighting, which develops, manufactures and sells lighting systems.

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Net sales in the first quarter were MSEK 257.5, compared with MSEK 237.5 in 2014. Adjusted for currency effects, this was a growth of -8 per cent. The comparative period included sales of MSEK 30 related to two major projects, which accounted for 13 per cent of total sales. No equivalent projects were invoiced in the first quarter of 2015. Sales in the underlying business, excluding currency effects and one-off projects, grew by 5 per cent.

The operating profit for the quarter was MSEK 20.9 (26.3) and the operating margin was 8.1 (11.1) per cent.

UK and Ireland	Q1	
	2015	2014
Net sales	257.5	237.5
<i>(of which, intercompany sales)</i>	<i>(14.3)</i>	<i>(6.4)</i>
Operating profit	20.9	26.3
Operating margin, %	8.1	11.1
Sales growth, %	8.4	48.6
Sales growth, adjusted for currency effects %	-8.0	38.7
Growth in operating profit, %	-20.5	182.8

REST OF EUROPE

The business area comprises our operations in Germany, the Netherlands, France, Spain, Slovakia and Poland. The largest operation is LTS Licht & Leuchten GmbH in Germany, which develops, manufactures and sells lighting systems.

Net sales for the first quarter were MSEK 190.9, compared with MSEK 198.0 in the prior year. This is a growth of -9 per cent after adjusting for currency effects. Sales grew at a strong pace in Germany and Poland but declined in France and Spain. The operating profit for the same period was MSEK 20.1 (15.9). The higher operating profit was due to a changed country mix, with Germany accounting for a larger share of sales.

Rest of Europe	Q1	
	2015	2014
Net sales	190.9	198.0
<i>(of which, intercompany sales)</i>	<i>(4.7)</i>	<i>(3.1)</i>
Operating profit	20.1	15.9
Operating margin, %	10.5	8.0
Sales growth, %	-3.6	19.6
Sales growth, adjusted for currency effects %	-9.0	14.7
Growth in operating profit, %	26.4	-16.3

MIDDLE EAST, ASIA AND AUSTRALIA

The business area comprises our operations in Turkey, the United Arab Emirates, Australia and New Zealand. Arlight, which has its registered office in Ankara, Turkey, was consolidated in the segment in 2014. The Australian and Turkish operations develop, manufacture and sell lighting systems while the operation in the UAE and New Zealand refers to sales.

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Net sales in the first quarter were MSEK 115.7 million, up from MSEK 82.7 in the prior year, which represented an increase of 12 per cent after adjusting for currency effects and acquired units.

The increase was due to improved sales in all markets. The operating profit was MSEK 13.0 (7.4) and the operating margin 11.2 (8.9) per cent.

Middle East, Asia and Australia	Q1	
	2015	2014
Net sales	115.7	82.7
<i>(of which, intercompany sales)</i>	<i>(5.7)</i>	<i>(0.0)</i>
Operating profit	13.0	7.4
Operating margin, %	11.2	8.9
Sales growth, %	39.9	43.8
Sales growth, adjusted for currency effects %	20.2	56.9
Growth in operating profit, %	75.7	68.2

ADDITIONAL INFORMATION

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

FINANCIAL POSITION

The Group's equity/assets ratio at the end of the quarter was 40 (33) per cent. Cash and bank balances at the end of the period were MSEK 335 (227) and consolidated equity was MSEK 1,412 (1,093). The strong cash flow resulted in a decrease in net debt to MSEK 995 (1,148).

Cash flow from operating activities was MSEK 56.5 (17.5). The MSEK 39 improvement was an effect of a favourable change in working capital.

Pledged assets and contingent liabilities were MSEK 7.3 (7.1) and MSEK 1.7 (1.7), respectively.

INVESTMENTS

The Group's gross investments in non-current assets were MSEK 42 (29). The figure does not include investments in subsidiaries, which were MSEK 0 (232.6).

EMPLOYEES

The average number of employees during the period was 2,395 (2,288).

PARENT COMPANY

AB Fagerhult's operations comprise corporate management, financing and coordination of marketing, production and business development activities. The profit after financial items was MSEK 52.7 (20.6).

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

ACCOUNTING PRINCIPLES

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

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Reporting Board. The applied accounting principles have not changed since the previous year.

For more information on the applied accounting principles, see the "Financial information" section on AB Fagerhult's website.

RISKS AND UNCERTAINTIES

The Group's significant risks and uncertainties mainly consist of commercial risks and financial risks relating to currencies and interest rates. Through the company's international operations the Fagerhult Group has financial exposure to currency fluctuations. The most significant are currency risks in connection with export sales and imports of raw materials and components. This exposure is reduced through hedging of flows in sensitive currencies, subject to individual assessments. Currency risks also arise upon translation of the net assets and results of foreign operations. Further information on the company's risks is provided in the annual report for 2014. Other than the risks described in the annual report, no further significant risks are deemed to have arisen.

OUTLOOK FOR 2015

Over the past year the Group has seen strong sales and earnings growth through acquisitions as well as organic growth. By developing its brands and product portfolio, the Group has established a strong position in all its principal markets and succeeded in increasing its market shares.

The lighting market has been in a recovery since late 2013, and management expects a continued recovery through 2015.

The outlook varies across the geographic markets in which the Group operates. Market growth is good in the UK and stable in Scandinavia, which account for more than half of the Group's sales. Market growth is somewhat lower in large parts of the eurozone.

The Group intends to continue to invest significant resources in product development and marketing, and in increased internationalisation. Management's ambition is to continue to strengthen the Group's market shares.

Habo, 21 April 2015

AB Fagerhult (publ)

Johan Hjertonsson
President and CEO

This report has not been audited by the company's auditor.

Interim reports for 2015 will be released on 20 August 2015 and 22 October 2015.

Information can be obtained from Johan Hjertonsson, CEO, or Håkan Gabriëlsson, CFO, tel. +46 (0)36-10 85 00.

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GROUP

CONSOLIDATED INCOME STATEMENT

	2015 Jan-Mar 3 mths	2014 Jan-Mar 3 mths	2014/15 Apr-Mar 12 mths	2014 Jan-Dec 12 mths
Net sales	905.5	885.5	3 755.8	3 735.8
(of which, outside Sweden)	(697.4)	(673.0)	(2 954.5)	(2 930.1)
Cost of goods sold	-611.9	-604.3	-2532.0	-2524.4
Gross profit	293.6	281.2	1223.8	1211.4
Selling expenses	-167.0	-158.3	-645.2	-636.5
Administrative expenses	-60.4	-53.1	-227.0	-219.7
Other operating income	6.5	5.5	24.5	23.5
Operating profit	72.7	75.3	376.1	378.7
Financial items	-3.9	-8.4	-26.2	-30.7
Profit after financial items	68.8	66.9	349.9	348.0
Tax	-17.2	-17.4	-86.6	-86.8
Net profit for the period	51.6	49.5	263.3	261.2
Net profit for the period attributable shareholders of the Parent Company	51.6	49.5	263.3	261.2
Earnings per share, based on earnings attributable to shareholders of the parent during the year				
Earnings per share before dilution, SEK	1.36	1.31	6.96	6.90
Earnings per share after dilution, SEK	1.36	1.31	6.96	6.90
Average number of outstanding shares before dilution	37 836	37 836	37 836	37 836
Average number of outstanding shares after dilution	37 836	37 836	37 836	37 836
Number of outstanding shares, thousands	37 836	37 836	37 836	37 836
Statement of comprehensive income				
Net profit for the period	51.6	49.5	263.3	261.2
Other comprehensive income				
Items which are not reversed in the income statement:				
Revaluation of pension plans	-	-0.2	3.1	2.9
Items which may be reversed in the income statement:				
Translation differences	30.5	13.2	141.1	123.8
Other comprehensive income for the period, net after tax	30.5	13.0	144.2	126.7
Total comprehensive income for the period	82.1	62.5	407.5	387.9
Comprehensive income attributable to shareholders of the Parent Company	82.1	62.5	407.5	387.9

CONSOLIDATED BALANCE SHEET	31 Mar 2015	31 Mar 2014	31 Dec 2014
Intangible assets ¹⁾	1 438.8	1 307.7	1 447.3
Property, plant and equipment	393.1	346.5	387.0
Financial assets ¹⁾	23.8	46.0	26.2
Inventories etc.	592.7	581.4	574.3
Trade receivables	677.3	694.0	676.4
Other non-interest-bearing receivables	84.1	75.8	67.4
Cash and cash equivalents	335.1	227.3	353.1
Total assets	3 544.9	3 278.7	3 531.7
Equity	1 412.4	1 092.7	1 329.2
Non-current interest-bearing liabilities	1 269.2	1 315.4	1 333.0
Non-current non-interest-bearing liabilities	100.6	127.2	101.5
Current interest-bearing liabilities	61.3	59.7	60.4
Current non-interest-bearing liabilities	701.4	683.7	707.6
Total equity and liabilities	3 544.9	3 278.7	3 531.7

1) The acquired net assets of Arlight have been remeasured, resulting in an increase in goodwill of MSEK 22.3. The value of financial assets has been decreased by the same amount. The comparative figures have been adjusted. The change has no impact on the income statement.

CONSOLIDATED CASH FLOW STATEMENT	2015 Jan-Mar 3 mths	2014 Jan-Mar 3 mths	2014/15 Apr-Mar 12 mths	2014 Jan-Dec 12 mths
Operating profit	72.7	75.3	376.1	378.7
Adjustments for non-cash items	45.7	22.2	137.7	114.2
Financial items	-4.3	-9.0	-25.2	-29.9
Tax paid	-30.5	-18.1	-73.3	-60.9
Funds contributed from operating activities	83.6	70.4	415.3	402.1
Change in working capital	-27.1	-52.9	14.7	-11.1
Cash flow from operating activities	56.5	17.5	430.0	391.0
Cash flow from investing activities	-19.6	-278.9	-169.0	-428.3
Cash flow from financing activities	-62.9	238.1	-181.6	119.4
Cash flow for the period	114.1	-23.3	79.4	82.1
Cash and cash equivalents at beginning of period	353.1	248.6	227.3	248.6
Translation differences in cash and cash equivalents	8.0	2.0	28.4	22.4
Cash and cash equivalents at end of period	335.1	227.3	335.1	353.1

KEY PERFORMANCE INDICATORS AND DATA PER SHARE, GROUP	2015	2014	2014/15	2014
	Jan-Mar 3 mths	Jan-Mar 3 mths	Apr-Mar 12 mths	Jan-Dec 12 mths
Sales growth, %	2.3	28.5	0.5	20.7
Growth in operating profit, %	-3.5	118.9	-0.7	36.5
Growth in profit after financial items, %	2.8	129.9	0.5	40.9
Operating margin, %	8.0	8.5	10.0	10.1
Profit margin, %	7.6	7.6	9.3	9.3
Cash liquidity, %	44	31	44	46
Net debt/equity ratio, %	70	105	70	78
Equity/assets ratio, %	40	33	40	38
Capital employed, MSEK	2 743	2 468	2 743	2723
Return on capital employed, %	10.7	13.1	14.5	15.6
Return on equity, %	15.1	18.7	21.0	22.1
Net debt, MSEK	995	1148	995	1040
Gross investment in non-current assets, MSEK	41.9	29.0	123.1	110.2
Net investment in non-current assets, MSEK	41.9	29.0	123.1	110.2
Depreciation/amortisation of non-current assets, MSEK	27.1	24.3	97.9	95.1
Number of employees	2 395	2 288	2 351	2 370
Equity per share, SEK	37.33	28.88	37.33	35.13
Number of outstanding shares, thousands	37 836	37 836	37 836	37 836

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Parent Company

	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Equity at 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			13,2	-0,2	13,0
Total comprehensive income for the period			13,2	49,3	62,5
Performance share plan				0,4	0,4
Equity at 31 March 2014	65,5	159,4	-73,4	941,2	1 092,7
Equity at 1 January 2015	65,5	159,4	37,2	1 067,1	1,329,2
Net profit for the period				51,6	51,6
Other comprehensive income			30,5		30,5
Total comprehensive income for the period			30,5	51,6	82,1
Performance share plan				1,1	1,1
Equity at 31 March 2015	65,5	159,4	67,7	1 119,8	1 412,4

PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

	2015 Jan-Mar 3 mths	2014 Jan-Mar 3 mths	2014/15 Apr-Mar 12 mths	2014 Jan-Dec 12 mths
Net sales	0.8	1.0	16.2	16.4
Selling expenses	-0.8	-1.0	-4.1	-4.3
Administrative expenses	-7.7	-6.0	-43.6	-41.9
Operating profit	-7.7	-6.0	-31.5	-29.8
Income from shares in subsidiaries	49.5	26.5	169.5	146.5
Financial items	10.9	0.1	6.4	-4.4
Profit after financial items	52.7	20.6	144.4	112.3
Tax allocation reserve	-	-	21.4	21.4
Group contributions received	-	-	120.0	120.0
Tax	-2.4	-	-26.4	-24.0
Net profit	50.3	20.6	259.4	229.7

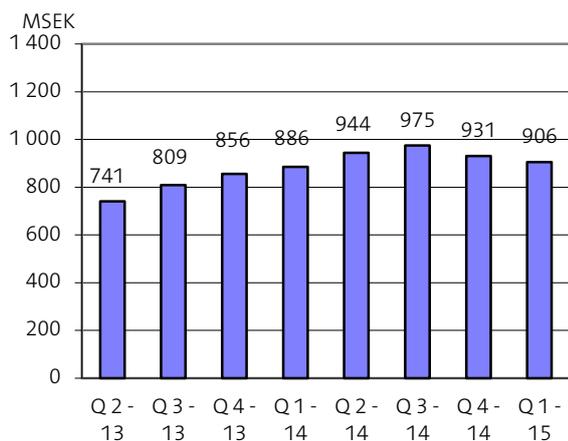
PARENT COMPANY BALANCE SHEET

	31 Mar 2015	31 Mar 2014	31 Dec 2014
Financial assets	1985.0	1 749.2	2 028.6
Other non-interest-bearing receivables	19.1	4.4	14.6
Cash and bank balances	21.7	105.1	23.7
Total assets	2 025.8	1 858.7	2 066.9
Equity	606.0	434.4	554.6
Untaxed reserves	8.6	30.0	8.6
Non-current interest-bearing liabilities	1 177.80	1 241.6	1 246.7
Non-current non-interest-bearing liabilities	1.7	1.7	1.7
Current interest-bearing liabilities	201.6	55.3	213.7
Current non-interest-bearing liabilities	30.1	95.7	41.6
Total equity and liabilities	2 025.8	1 858.7	2 066.9

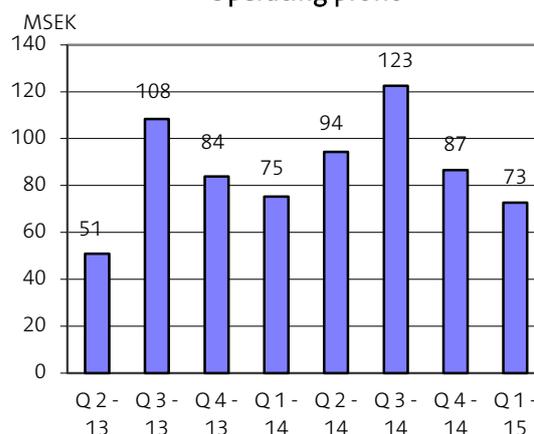
PARENT COMPANY STATEMENT OF
CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2014	65.5	159.4	188.5	413.4
Performance share plan			2.9	2.9
Net profit for the period			229.7	229.7
Dividend, SEK 2.17 per share (after split)			-91.4	-91.4
Equity at 31 December 2014	65.5	159.4	329.7	554.6
Performance share plan			1.1	1.1
Net profit for the period			50.3	50.3
Equity at 31 March 2015	65.5	159.4	381.1	606.0

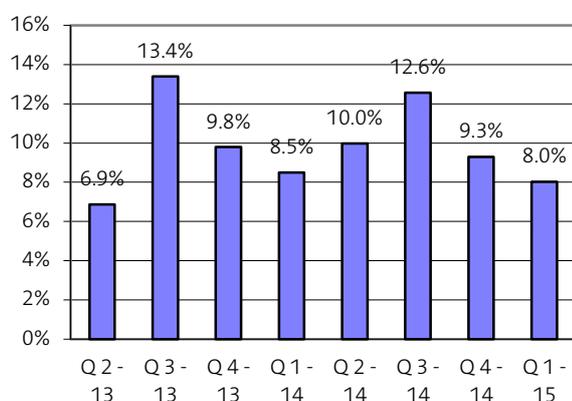
Net sales



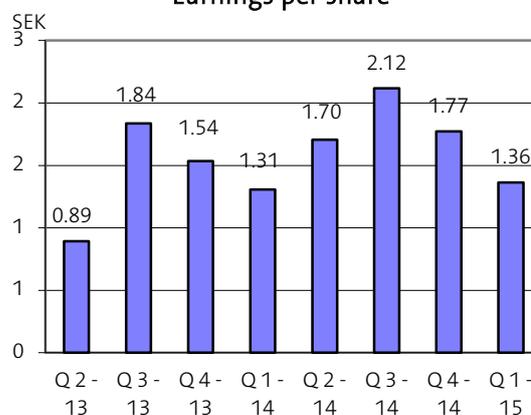
Operating profit



Operating margin



Earnings per share



KEY PERFORMANCE INDICATORS AND DATA PER SHARE

	2011	2012	2013	2014	2014/15 Apr-Mar 12 mths
Net sales, MSEK	3 023	3 085	3 095	3 736	3 756
Operating profit, MSEK	318	252	278	379	376
Profit after financial items, MSEK	286	214	247	348	350
Earnings per share, SEK	5,51	4,20	4,83	6,90	6,96
Sales growth, %	20,6	2,1	0,3	20,7	0,5
Growth in operating profit, %	107,7	-20,8	10,3	36,5	-0,7
Growth in profit after financial items, %	112,8	-25,3	15,5	40,9	0,5
Operating margin, %	10,5	8,2	9,0	10,1	10,0
Net debt/equity ratio, %	113	94	86	78	70
Equity/assets ratio, %	31	35	37	38	40
Capital employed, MSEK	2 145	2 058	2 163	2 723	2 743
Return on capital employed, %	16,2	12,2	13,3	15,6	14,5
Return on equity, %	26,6	17,8	18,7	22,1	21,0
Net debt, MSEK	975	874	885	1 040	995
Net investment in non-current assets, MSEK	66	92	65	110	123
Depreciation/amortisation of non-current assets, MSEK	89	85	89	95	98
Number of employees	2 228	2 192	2 204	2 370	2 351