FAGERHULT

ANNUAL REPORT 2015

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The Annual Report comprises pages 44–86.

READ MORE ABOUT FAGERHULT'S SUSTAINABILITY WORK

We report in line with the Global Reporting Initiative's (GRI) reporting standard G4 Core, which was reviewed by PwC. Our Sustainability Report is presented separately. Read more at: www.fagerhultgroup.com/en/sustainability.

Skatteetaten, Oslo, Norway

THREE PRODUCT AREAS

INDOOR

Interior lighting for offices, schools, healthcare and other demanding indoor environments such as industrial manufacturing and transport sectors.

SHARE OF SALES

68 %

For more info, see pages 20–23

RETAIL

Lighting solutions for retail concepts and commercial environments which strengthen and develop the brand and enhance the products.

SHARE OF SALES

25 %

For more info, see pages 24–27

OUTDOOR

Outdoor lighting that contributes to safe and secure urban environments with a focus on streets, parks, footpaths and cycle paths, as well as lighting for architectural effects.

SHARE OF SALES

7 %

For more info, see pages 28–31

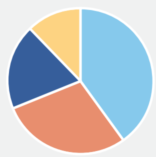
NINE STRONG BRANDS

FAGERHULT	ateljé Lyktan	Whitecroft lighting
eaglelightingaustralia Member of the Fagerhult Group	LTS® LICHT & LEUCHTEN	designplan LIGHTING
i VALO	ARLIGHT	LIGHTING INNOVATIONS

INTERNATIONAL PRESENCE

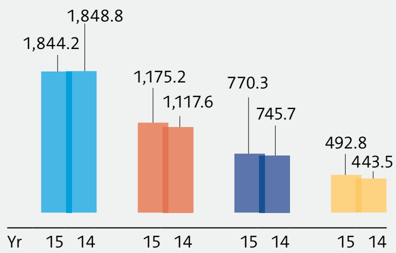
Fagerhult is one of Europe's leading lighting companies. Our largest markets are the Nordic region and the UK. Outside of these, Fagerhult has strong positions in Germany, the Netherlands, Turkey and Australia. During the year, Fagerhult expanded its international presence through the acquisition of Lighting Innovations with its registered offices in Port Elizabeth, South Africa. With subsidiaries in a total of more than 20 countries, operations are divided into four geographical business areas. Marketing and sales activities are primarily performed locally through our subsidiaries and also via agents and distributors thus giving Fagerhult access to more than 40 markets. Production units are located in Sweden, Finland, the UK, Germany, Australia, Turkey, South Africa and China.

SALES PER BUSINESS AREA 2015

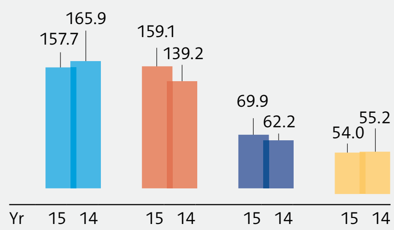


- Northern Europe, 40 %
- The UK and Ireland, 29 %
- Rest of Europe, 19 %
- Africa, Asia and Australia, 12 %

NET SALES PER BUSINESS AREA, MSEK



OPERATING PROFIT PER BUSINESS AREA, MSEK



GEOGRAPHICAL BUSINESS AREAS Northern Europe, UK and Ireland, Rest of Europe, Africa, Asia and Australia

VISION

Fagerhult is to become a leading global lighting solutions provider.

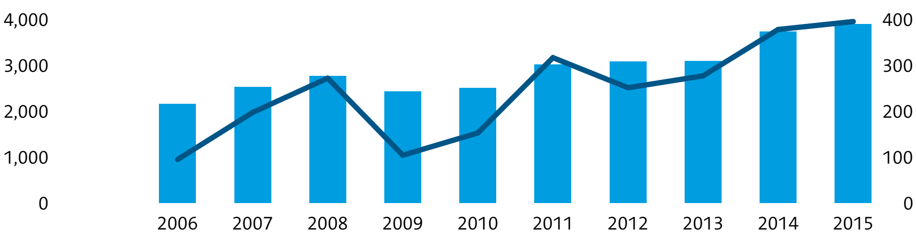
MISSION

To create a globally knitted together, customer insight driven company that leverages the Group's size and competencies while preserving the entrepreneurial culture in our local organisations.

FAGERHULT CELEBRATES 70 YEARS

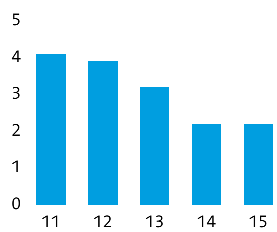
Fagerhult was founded in 1945 by Bertil Svensson and achieved sales of SEK 13,000 in its first year. A year or so later, the first factory was built in Fagerhult, at that time with six employees and sales amounting to SEK 53,000. The factory remains at the same location today, but now has about 650 employees and has been extended some forty times.

TRENDS FOR SALES AND OPERATING PROFIT, MSEK



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	2,162.1	2,527.4	2,770.1	2,436.3	2,505.6	3,022.8	3,085.1	3,095.2	3,735.8	3,909.4
Operating profit	94.9	197.6	272.4	104.2	152.9	317.6	251.5	277.5	378.7	396.0

DIVIDEND YIELD, %



11	12	13	14	15
4.1	3.9	3.2	2.2	2.2

Fagerhult is one of Europe's leading lighting companies with a total of 2,600 employees in more than 20 countries. Fagerhult develops, manufactures and markets innovative and energy-efficient lighting solutions for professional indoor and outdoor environments. This comprises a wide range of products and solutions developed using expertise and insight into the positive impact of light on people in a variety of environments. Over the years, several strong brands have been acquired. The company's share is listed on Nasdaq Stockholm.

FINANCIAL HIGHLIGHTS FOR 2015

- Order intake amounted to SEK 4,113.4 million (3,790.0), corresponding to year-on-year growth of 4.8 per cent after adjustment for currency effects and acquired units.
- Net sales amounted to MSEK 3,909.4 (3,735.8), up 4.6 per cent.
- Operating profit posted a year-on-year increase of MSEK 17.3 to MSEK 396.0 (378.7). The operating margin was 10.1 per cent (10.1).
- The third quarter of the year was the best ever in Fagerhult's history with an operating profit of MSEK 126.6 (122.5).
- LED lighting continued to post strong sales growth and at the end of 2015, LED lighting accounted for two thirds of the Group's sales.
- In the fourth quarter, the acquisition of the assets in Lighting Innovations in South Africa was completed.

Fornebu S, Oslo, Norway

NET SALES

MSEK **3,909**

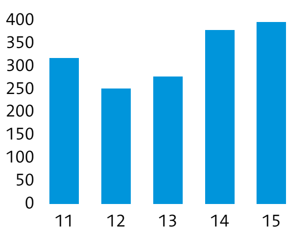
OPERATING PROFIT

MSEK **396**

KEY PERFORMANCE INDICATORS

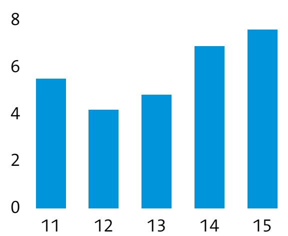
	2015	2014
Net sales, MSEK	3,909	3,736
Operating profit, MSEK	396	379
Profit after financial items, MSEK	377	348
Earnings per share, SEK	7.62	6.90
Sales growth, %	4.6	20.7
Operating margin, %	10.1	10.1
Net debt/equity ratio, %	65	78
Equity/assets ratio, %	38	38
Return on capital employed, %	14.4	15.6
Return on equity, %	20.9	22.1
Net debt, MSEK	937	1,040
Net investments in non-current assets, MSEK	118	110

OPERATING PROFIT, MSEK



317.6	251.5	277.5	378.7	396.0

EARNINGS PER SHARE, SEK



5.51	4.20	4.83	6.90	7.62

Q1

THE YEAR BEGAN WITH A STRONG FIRST QUARTER

- A stable quarter that solidifies the Group's position at the same high level as the very strong first quarter of 2014.
- Better cash flow and earnings per share than the year before.
- Order intake, sales and operating profit remained high.
- The share of sales for LED products amounted to about 50 per cent.

Q2

ACQUISITION AGREEMENT ESTABLISHES FAGERHULT IN A NEW EMERGING MARKET

- An order intake of MSEK 1,091 (969) was an increase of 13 per cent and the Group's first quarter with an order intake over SEK 1 billion.
- A strong offering to the healthcare sector provided positive results in the form of orders received from large hospitals in Australia and the UK.
- With the agreement to acquire the assets of Lighting Innovations in South Africa, Fagerhult established operations in the dynamic sub-Saharan region of Africa, which has major growth potential.

Q3

THE THIRD QUARTER OF THE YEAR MADE HISTORY ONCE AGAIN AS THE BEST EVER

- With an operating profit of MSEK 126.6 (122.5), the third quarter beat all previous records. This is largely an effect of strong growth in the UK.
- The order intake of MSEK 948.5 (912.7) shows a continuation of strong sales.
- Market growth remained favourable in the UK, and stable throughout the Nordic countries and most of the Euro zone.

Q4

A DECISIVE END TO A SUCCESSFUL YEAR

- A strong fourth quarter, with an order intake of MSEK 1,098.6 (925.5), corresponding to growth of 20 per cent adjusted for currency effects and acquisitions.
- Operating profit amounted to MSEK 108.5 (86.6), an improvement of 25 per cent. Earnings per share were SEK 2.25 (1.77).
- The acquisition of the assets in Lighting Innovations in South Africa was completed.

"The acquisition of Lighting Innovations in South Africa was fully in line with our strategic initiative to increase exposure to emerging markets."

FOR MORE INFO, SEE PAGES 4–5

WINNING PATH PROVIDES STABLE DELIVERY

Fagerhult's consistent strategy continues to generate value. This was confirmed by the summary of yet another successful year in which we continued to grow, organically and through acquisitions, while focusing on customer benefit.

With an operating profit of SEK 396 million together with earnings per share of SEK 7.62, which is a year-on-year increase of 10 per cent, the Group demonstrates its ability to continue to deliver at the financial level we established in 2014. Further evidence of our stable financial results is an EBIT margin of around 10 per cent in recent years. I am convinced that one source of the Group's success is the interaction of a number of factors. Our employees' targeted efforts to generate customer benefits. Our decentralised entrepreneurial business approach. And not least, our consistent adherence to our strategy to create a globally integrated company driven by in-depth customer insight and proven technical expertise.

All of our markets generally posted strong earnings. The British market stands out in offering a multitude of good business opportunities. Fagerhult UK and Whitecroft Lighting in particular, by virtue of their strong positions and close customer relationships, were able to leverage this and demonstrate it by consistently delivering strong growth and solid profitability. I also want to emphasize Fagerhult's success in the Nordic market a little extra, in the form of organic growth in the Outdoor product area, for instance. Here, we have introduced the street and park lighting luminaires Vialume, Evolume and Lunova in recent years, all of which have been well received by the market. In 2016, new variants will also be launched that are adapted to larger road networks.

PREMIERE FOR FAGERHULT IN A NEW CONTINENT

With the acquisition of the South African company Lighting Innovations, Fagerhult is establishing operations in a new continent. This is being implemented in full alignment with our strategic initiative to increase exposure to emerging markets and comprises an acquisition that not only establishes us in South Africa, but also opens up attractive growth opportunities in the dynamic sub-Saharan region. With Lighting Innovations, Fagerhult is gaining the injection of a well-established family-run company with its own manufacturing unit and a good reputation in the local market. The process of integrating the company is taking place in a manner similar to earlier acquisitions. Put simply, this means that the company is continuing its operations just like before the acquisition, but with the addition that it now also has access to Fagerhult's Group-wide resources and can make use of our business synergies, such as in purchasing and product development.

AN INDUSTRY CHARACTERISED BY CONTINUOUS EXCITING NEW OPPORTUNITIES

The technology shift to LED is progressing at record speed and is actually exceeding the most optimistic industry forecasts. LED already accounts for two thirds of our sales and we now offer a range of LEDs for all applications. In hindsight, we can confirm that the rapid development is actually quite a natural effect of the technology's many advantages, through which it offers an excellent combination of energy savings, lower cost and long useful life. This is also a technology shift that we as yet have only seen the beginning of. As new business opportunities are opening up, we have now also noted that the development of the Internet of Things is beginning to gain speed. In its simplest form, the luminaires are then outfitted with components that facilitate the maintenance and adaptation of the lighting with various colour temperatures, while more advanced versions use the luminaires as bearers of sensors or processors for the collection of a range of information.

Fagerhult's Multilume Flow
– a trick of the eye.

"A new year with new opportunities, which Fagerhult will accept in line with our established strategy."

THE PEOPLE BEHIND THE SUCCESS

During the year, we continued to work to strengthen our managers' ability to act as bridges between the strengths of a global Group and the strong local entrepreneurial spirit. A second round of the much appreciated management programme was carried out with the aim of further improving the collaboration between the companies. In addition to this, we are working to increase the exchange of expertise between the companies and also introduced a two-year trainee programme that started in autumn 2015. Again, I would like to emphasize that our strong earnings are made possible by our employees, their extensive expertise, and their ability to perform and deliver with high quality.

WITH CONTINUED FULL SPEED AHEAD

A new year with new opportunities, which Fagerhult will accept in line with our established strategy. We are doing so by safeguarding and strengthening our entrepreneurial corporate culture that provides the very agile, decisive and customer-focused operations that contribute to providing customer benefit in pace with new technical progress.

Habo, February 2016

Johan Hjertonsson
President and CEO

NINE STRONG BRANDS THAT DELIVER GROWTH

All of Fagerhult's portfolio of nine brands hold strong positions in their respective home markets. They play a central role in the growth strategy for reaching broader market coverage and increasing our market shares.

FAGERHULT

1945

Head office: Fagerhult, Sweden

Product areas: Indoor, Retail, Outdoor

Fagerhult's birthplace and main brand, which accounts for the largest part of the Group's total sales. The strongest positions are in the North European markets.

ateljé Lyktan

1974

Head office: Åhus, Sweden

Product areas: Indoor, Outdoor

The Group's most design-focused brand that, with its premium position, offers products with Swedish design for public places and customers with stringent requirements. Strongest position in the Swedish market.

Whitecroft lighting

2005

Head office: Manchester, England

Product areas: Indoor, Outdoor

The second largest brand in terms of the Group's total sales. Also the second largest player in the UK market which accounts for about 95 per cent of Whitecroft's sales.

eaglelightingaustralia 'Member of the Fagerhult Group'

2007

Head office: Melbourne, Australia

Product areas: Indoor, Outdoor

Eagle Lighting Australia is one of the major companies in the Australian market and in New Zealand. The range also includes lighting solutions from Fagerhult and Designplan.

LTS® LICHT & LEUCHTEN

2010

Head office: Tettnang, Germany

Product areas: Indoor, Retail

With its quality focus, LTS occupies a strong position in the German market, where the company is primarily a prominent player in the area of lighting solutions for retail concepts.

designplan LIGHTING

2011

Head office: Sutton, England

Product areas: Indoor, Outdoor

Designplan has a niche position in the UK market with lighting solutions for weather and vandal-proof environments. Designplan also has sales in Germany, Australia and in the Nordic market.

i VALO

2013

Head office: Iittala, Finland

Product areas: Indoor, Outdoor

Strong in lighting solutions for demanding industrial environments that, for example, are exposed to extreme temperatures. Leading position in the Finnish market with sales to France, Germany, Russia and Sweden, among other countries.

ARLIGHT

2014

Head office: Ankara, Turkey

Product areas: Indoor, Retail

Arlight has a strong position in the Turkish market for indoor lighting. Low-cost production that is an important complement to the other companies' product portfolios.

LIGHTING INNOVATIONS

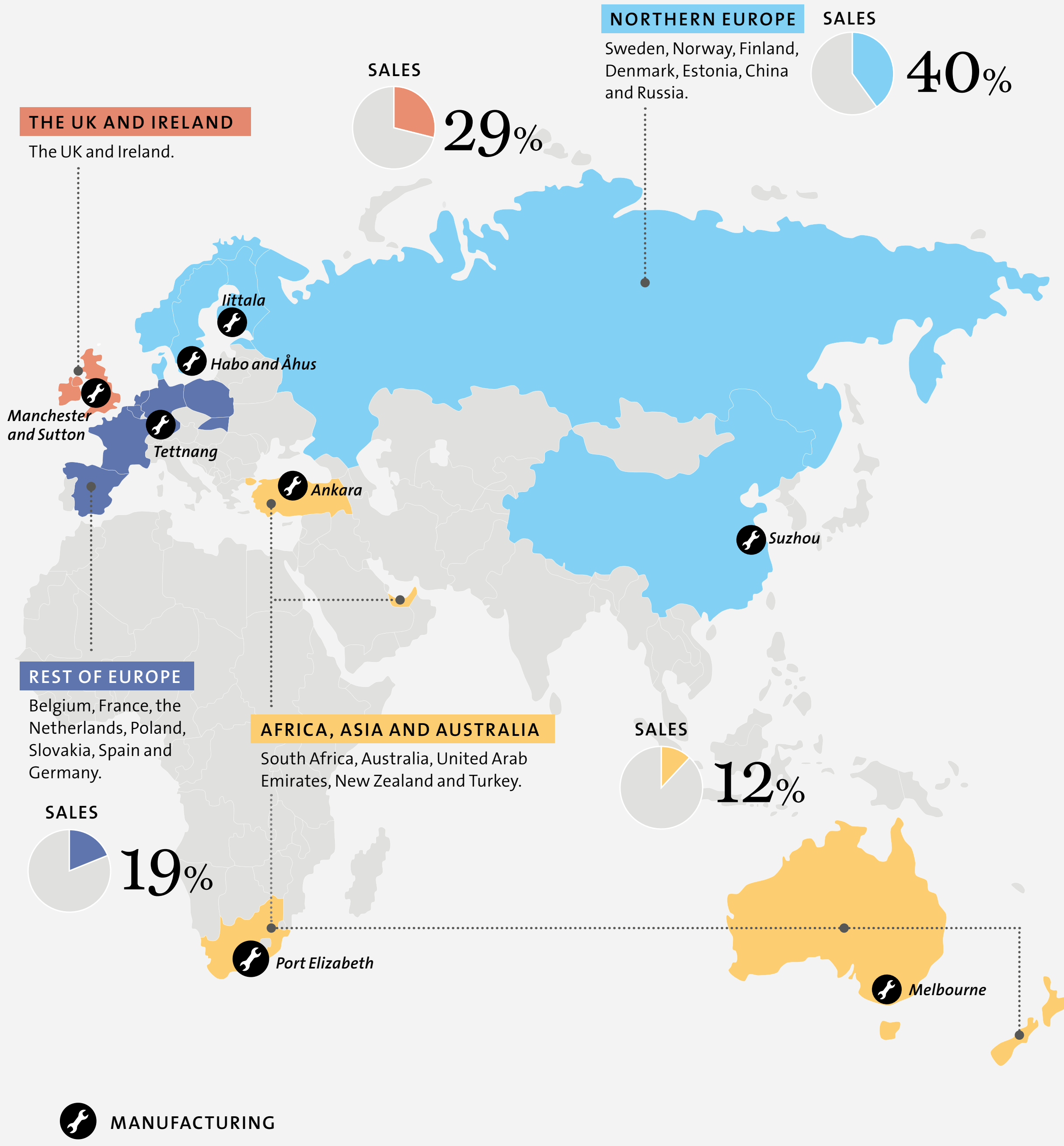
2015

Head office: Port Elizabeth, South Africa

Product areas: Indoor

South African Lighting Innovations manufactures luminaires and lighting systems with a focus on indoor lighting. This acquisition offers solid growth opportunities both in South Africa and in the dynamic sub-Saharan region.

FAGERHULT'S BUSINESS AREAS



FAGERHULT TAKES THE STEP INTO A NEW CONTINENT

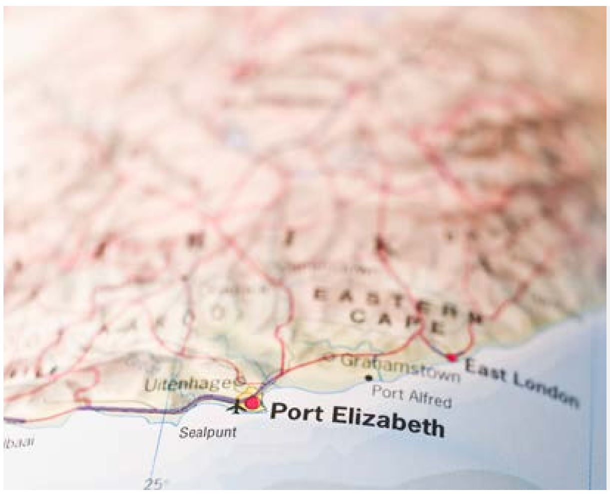
Faithful to its strategy of increasing exposure to emerging markets, Fagerhult is now taking an initial step in to the South African market with the acquisition of Lighting Innovations. This acquisition also opens up to attractive growth opportunities in the sub-Saharan region.

In earlier acquisitions, Fagerhult mainly focused on development regions that are geographically close to our existing companies and markets with the aim of building further on an existing position. The acquisition of Lighting Innovations means that Fagerhult is continuing its geographical expansion by now taking the step into an entirely new continent. An important underlying factor for the decision is the dynamic sub-Saharan region with its growth opportunities. The region consists of a few of the world's fastest growing economies, and through strong population growth is expected to grow from today's share of 15 per cent of the world's population to 40 per cent in 2100. Moreover, the middle class in the region is estimated to increase by one billion as early as 2060. In other words, it is a region with significant growth opportunities and a natural first step is establishment in South Africa through the acquisition of Lighting Innovations.

IMPORTANCE OF LOCAL ASPECTS

The key to success in the lighting industry often lies in understanding the sales process in the local market, and having established relationships at local specifier level. With Lighting Innovations, Fagerhult is gaining the injection of a well-established family-run company with its own manufacturing unit. The company also enjoys a good reputation in the local market, for reasons including its delivery precision.

As South Africa and the region in general is at the beginning of the technical shift to LED, Fagerhult's broad expertise in the area will be an important competitive advantage for Lighting Innovations. In the slightly longer term, possibilities exist for growing Lighting Innovation's existing export business to countries in the sub-Saharan region to thereby grow organically.



"With Lighting Innovations, Fagerhult is gaining the injection of a well-established family-run company with its own manufacturing unit and a good reputation on the local market."

LIGHTING INNOVATIONS

Lighting Innovations was founded in the 1980s and has about 210 employees today. The head office is in Port Elizabeth, South Africa, where a new modern production unit is also located.

Lighting Innovations' main focus is producing luminaires and lighting systems for offices, shopping centres, hospitals and schools.

In conjunction with the acquisition, a generation change is taking place in the company with the founder Bruce Wadell handing over the position as Managing Director to his son Craig Wadell, who with Fagerhult's strong support will now continue the exciting development of the company.

For the 2014/2015 financial year, the company's total sales were approximately MEUR 13.

TRENDS THAT SHAPE THE WORLD AND AFFECT US ALL

In a changing business environment, macro trends are continuously developing, which in turn give rise to a number of challenges and opportunities that our modern age must address. Globalisation, urbanisation, demographic changes, digitisation, new consumption patterns – in all trends, there is something that can be translated into a business opportunity for Fagerhult.

GLOBAL TRENDS

POPULATION GROWTH AND THE URBAN JOURNEY FROM THE COUNTRYSIDE TO CITIES

By 2050, the global population is estimated to reach nine billion compared with just over seven billion today. Today, more than half of us live in cities and this is a figure that in 50 years is estimated to comprise 75 per cent of the world's population. Today, cities take up just 0.5 per cent of the planet's surface, but account for 75 per cent of the consumption of our finite resources. An effect of population growth and urbanisation is the rise of so-called mega-cities. As early as 2025, it is estimated that there will be some 40 cities with a population of over 10 million. Another effect is the growth of well-educated women who are strengthening their position in the global market as employees, consumers, business leaders and investors – a trend that is usually summarised as womenomics. An effect of these various drivers is extensive demand for a sustainable infrastructure where the need for energy efficient lighting is a central component.

Fagerhult's geographic expansion in emerging markets among others increases the Group's growth potential in the long term. The business opportunities otherwise lie in our ability to help our customers to produce creative offices and meeting places that attract the right expertise. Equally important is meeting the demand for safe and attractive urban environments as well as the retail chains' need to further emphasize their brands and products to create the right shopping atmosphere.

EFFECTS OF DIGITISATION INCREASINGLY DISTINCT

Right now, digitisation is revolutionising virtually every part of society, including how we do business and communicate with each other. From a business perspective, many issues are becoming easier and going faster, such as growing existing businesses with the power of more channels, starting new businesses, reaching out to a broader market and quickly reaching many customers. Besides redrawing the map of how we do business, digitisation is also challenging companies and their employees who must rapidly adjust processes and upgrade or entirely renew their expertise.

The lighting industry is already working to future-proof its operations by conducting its own digital due diligence process to implement whatever is required to capitalise on the digital transformation. A digital filter is now placed over all business development and a coordinated grasp is being taken of the resources required to adapt the business and take advantage of the opportunities in the new digitised reality.

TOWARDS A MORE RESPONSIBLE USE OF RESOURCES

Nobody knows yet for certain how great the global warming of the climate will be, how quickly it will go and where it will strike the hardest blow. But we know with all certainty that the emissions of greenhouse gases must be reduced. Some of the responsibility rests in responsible use of resources with requirements for using renewable energy sources and new technologies that generally have less environmental impact through higher energy efficiency and longer life.

The lighting industry has an important role to play here by continuing development by virtue of the technical shift to LED technology combined with control systems. The possibilities lie not only in more efficient management of energy, but also in how we can better utilise the potential of light for health and well-being.

INDUSTRY-SPECIFIC DRIVERS

LED AND LIGHTING CONTROLS IN SYMBIOSIS

LED products already account for the majority of Fagerhult's sales and in a near future, they will have taken over entirely. LED technology provides very low power consumption, gener-

Arkitekthuset, Jönköping, Sweden

ates little heat, has a long life and can shift in colour. All of these positive effects have driven the technical shift at the same time that the development of LED technology continues. Efficiency will soon surpass 200 lumen per watt with a potential to continue upwards by 5 per cent per annum in parallel with declining production costs. In addition, development is continuing through the creation of more efficient and intelligent light sources by combining LED technology with platforms for digital control and web-based services. Lighting control is therefore predicted to experience strong development in the next few years.

STRONGER EXPERIENCES THAT MEET NEW CUSTOMER NEEDS

Increasingly intensive research is being conducted on the effects of light on health and productivity in humans, as well as on creating an experience in a premises or around a product. This is largely a response to a growing insight, particularly from a commercial outlook, about the central role of lighting in creating unique environments that, for instance, enhance a brand and influence customers' buying behaviour. There are few tools as effective as light when it comes to creating the right mood and atmosphere in a retail environment.

Most retail chains are aware of the importance of energy-efficient lighting solutions, both from an environmental and financial perspective, where the estimate of when an investment can be recouped is fundamental. In addition, the lighting industry can offer its expertise on how light interacts to enhance both a brand and a product.

CHANGES IN THE COMPETITIVE LANDSCAPE

The lighting industry operates in a relatively mature market, even if it is divided between various types of companies with large local differences in terms of competition. A relatively high level of acquisitions is generally ongoing, in parallel with shifting industry boundaries in the form of new participants, such as electronics companies, establishing themselves as the business opportunities with LED technology become apparent. The importance of a strong understanding of the local market's needs and requirements together with good customer relationships remains a central competitive advantage, however.

FAGERHULT'S BUSINESS MODEL AND VALUE CREATION

INPUT RESOURCES

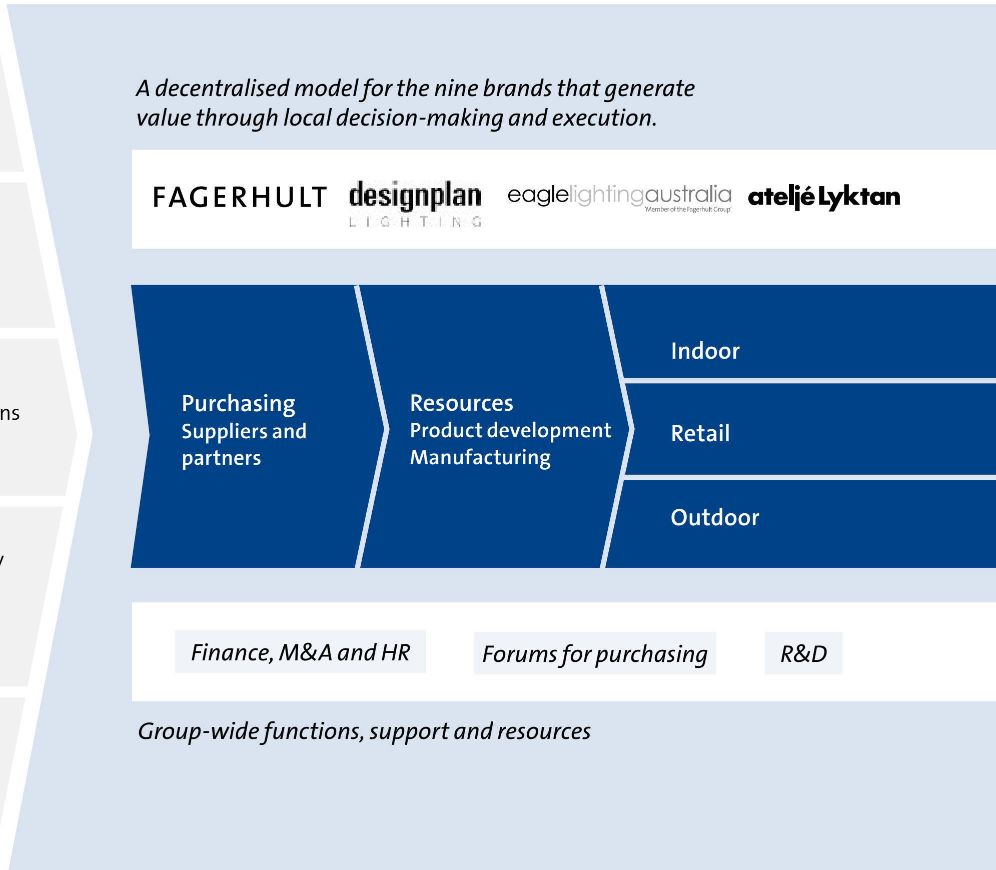
Motivated and competent employees
2,600 knowledgeable, committed and motivated employees with a mandate to make decisions in close partnership with customers.

Strong local and niche brands
Well-established brands that provide strong positions in their respective markets.

Adapted sales models
Provide customer insight and adapted solutions for every market and product area.

Manufacturing facilities
Production plants with high quality, efficiency and the ability to deliver close to our main markets. Input materials such as electronic components, metal and plastic for the manufacturing of products.

Financial means
Capital to finance the operating activities and to invest in growth, organic or through acquisitions, and in efficiency enhancements.



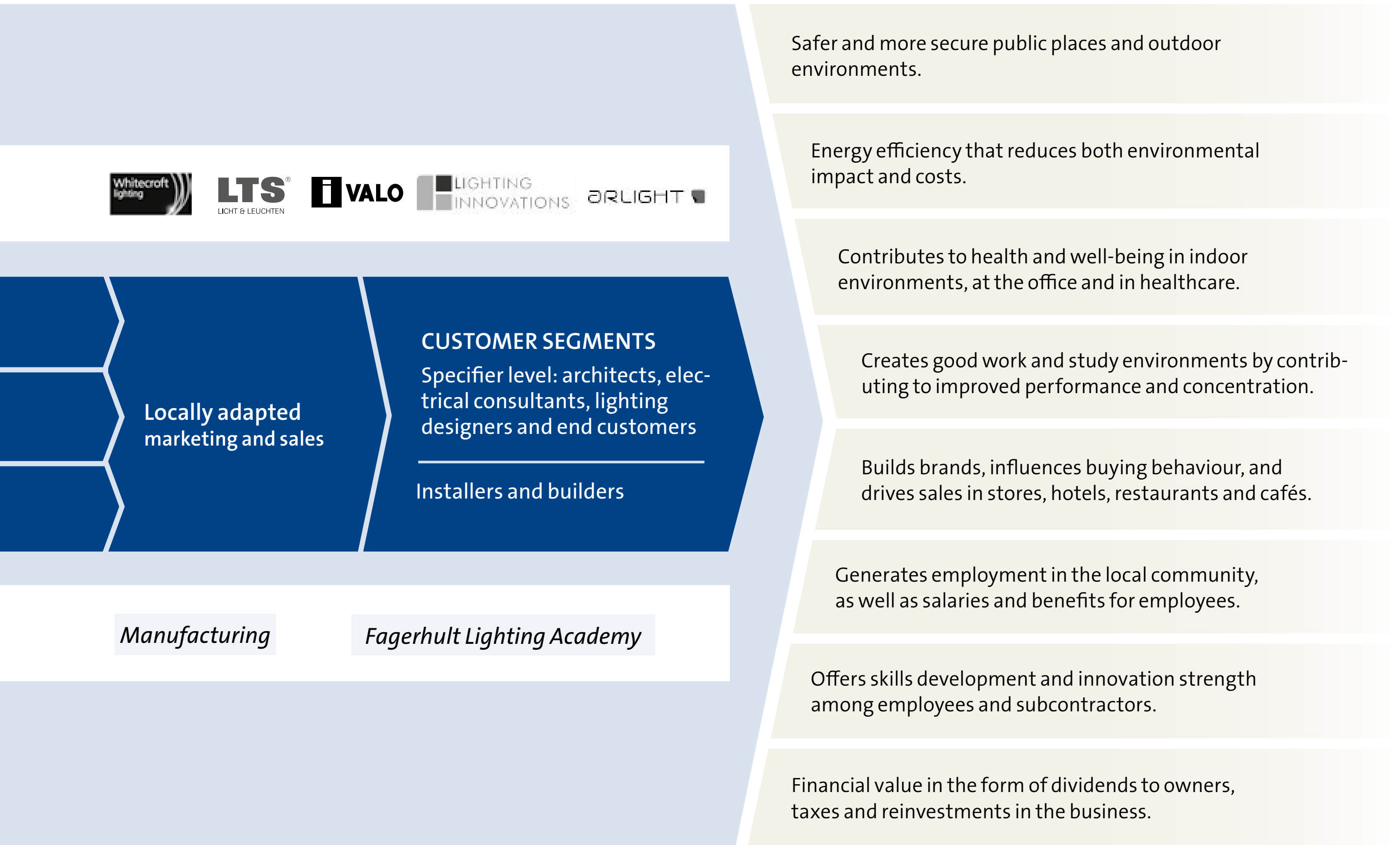
A core part of our business is our decentralised organisational model with expertise, decision-making and resources located near customers in the form of nine strong brands firmly established and positioned in their respective home markets. Fagerhult's value creation model illustrates our process for converting input resources, through the business model, to direct and indirect output value.

STRONG BRANDS WITH LOCAL DECISION-MAKING ADAPT THE BUSINESS

Our nine primary brands have their strongest positions in their respective home markets, which is mainly due to the majority of the lighting market being local. In other words, customer relationships and the ability to adapt our business, products and sales channels to local conditions are key success factors.

This is why our business model is characterised by a strongly decentralised structure that provides the respective companies extensive decision-making power of their own. This structure also provides extensive opportunities to combine local entrepreneurial perspectives with the advantages of economies of scale. Fagerhult has formed a number of general partnerships that allow us to better capture, collect and realise the economies of scale that the Group's size offers, particularly in terms of purchasing and manufacturing.

OUTPUT VALUE

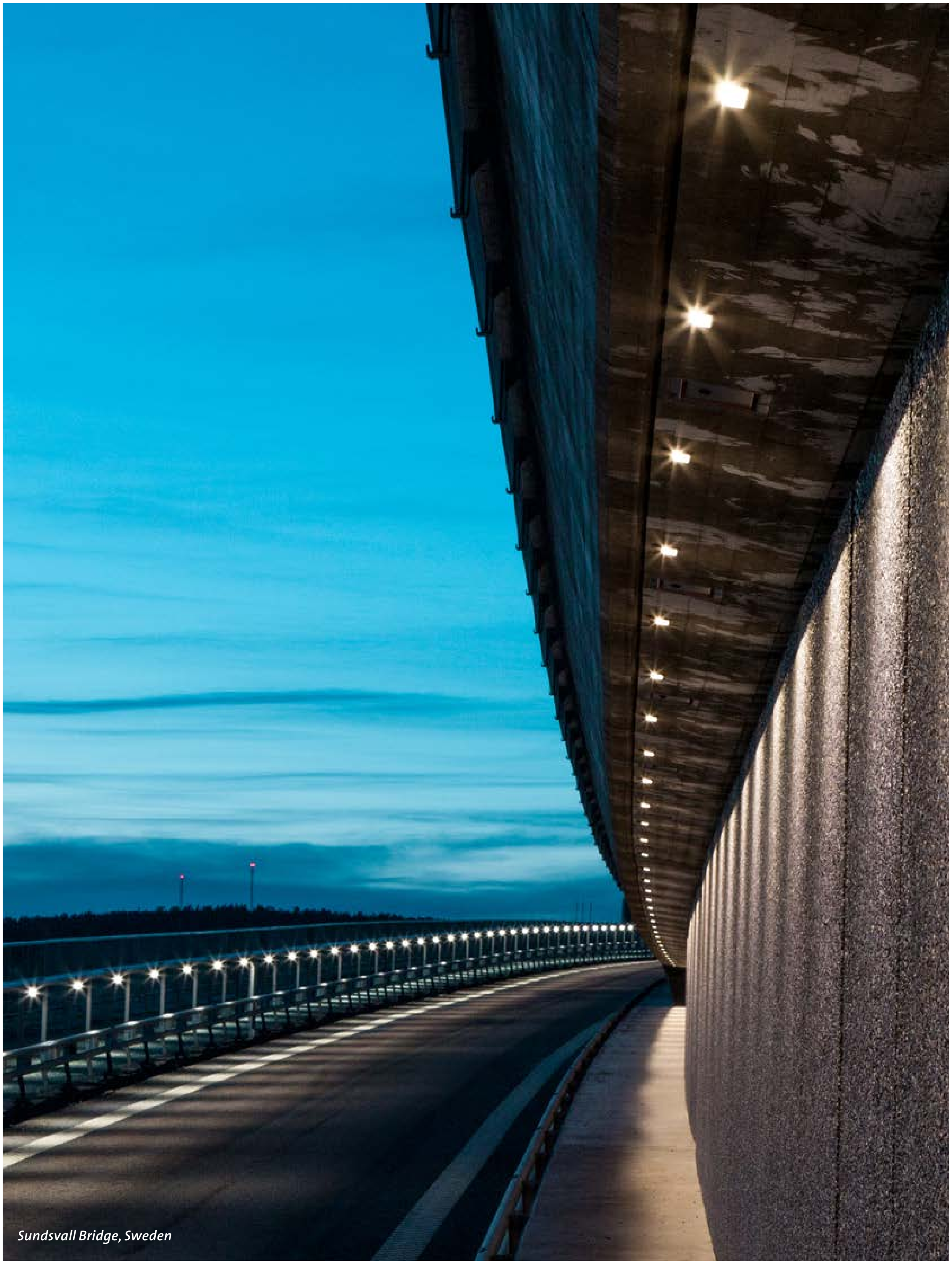


The Group management maintains its responsibility for the overriding financial governance and control. Responsibility for acquisitions, which form a key part of Fagerhult's long-term growth strategy, is also at Group level.

FAGERHULT'S THREE PRODUCT AREAS

Our products and solutions are offered through one or more of the three product areas – Indoor, Retail and Outdoor – which reflect the professional lighting market. To a varying extent, our brands are contained within each of these areas. Since the three product areas operate on entirely different prerequisites, a flexible and adaptable sales model is required, with variation in direct and indirect sales depending on how the local market works. Fagerhult's subsidiaries cover more than 20 countries that through direct and indirect sales in combination with agents, distributors and wholesalers reach some 40 markets worldwide.

Using a customer-centric approach, we consistently follow our strategy to continue growth, both organically and through acquisitions. On the way to achieving our desired position as a leading global provider of lighting solutions, we create and generate a number of direct and indirect values that benefit a number of stakeholders.


Sundsvall Bridge, Sweden

A BRIGHT STRATEGY WITH CLEAR DIRECTION

Fagerhult's six strategic initiatives are important tools to, step-by-step, approach our vision of becoming a leading global provider of lighting solutions. We do so by building a globally interwoven corporate group where the Group's size and expertise interact with each company's entrepreneurial driving force and strong position in the local market.

AN OFFERING THAT REFLECTS OUR STRATEGIC EFFORTS

The foundation of our strategy that also distinguishes our message to customers and the market can be summarised as follows:

Fagerhult stands for extensive lighting expertise and offers a broad product portfolio. Our offering consists of a high proportion of customised solutions that are consistently offered with the highest possible delivery precision and customer service.

A core part of Fagerhult's strategy is the decentralised organisation comprising companies with their own mandates and extensive autonomy in controlling operations. This is based on decisiveness, expertise and resources being close to the customer and the local market. At the same time, there is a common corporate culture that rests on the core values of Customer Focus, Performance Culture and Innovative Mindset, which are well rooted in all of the companies of the Group. The core values are a strategically important piece of the puzzle for creating a business that strives to leverage synergies and share expertise between the companies.

VISION

Fagerhult is to become a leading global lighting solutions provider.

MISSION

To create a globally knitted together, customer insight driven company that leverages the Group's size and competencies while preserving the entrepreneurial culture in our local organisations.

OUR STRATEGIC FOUNDATIONS

- Lighting expertise
- Broad product portfolio and customised solutions
- Delivery capacity through a strong supply chain
- High level of product service

HOW WE WORK

- Strong core values - Customer Focus, Performance Culture and Innovative Mindset
- Leverage the Group's synergies in terms of size and expertise

FAGERHULT'S 6 STRATEGIC INITIATIVES 2017

FAGERHULT'S SIX STRATEGIC INITIATIVES 2017

1

DEVELOP INDUSTRY-LEADING LIGHTING SOLUTIONS

Fagerhult generally holds a position on the forefront of technology. Even if LED technology will be able to be further refined, growing potential lies in the combination with smart control systems to thereby enable entirely new forms of innovative lighting solutions. Fagerhult also possesses extensive expertise and experience of the effect of light on people and places, and by converting these insights into lighting solutions, can add considerable value to customers and society.

OUTCOME

- LED's sales share was more than 60 per cent for 2015.
- Fagerhult now offers a range of LEDs for every application.
- A continuous increase in the share of luminaires sold in combination with some form of control system.
- The launch of e-Sense Tune. The personal light that controls the light's intensity and colour temperature through a smartphone or tablet app.

2

SECURE PROFITABLE ORGANIC GROWTH WITHIN INDOOR LIGHTING

Besides securing continued organic growth, it is important to further improve profitability in Indoor. Nurturing and further developing Fagerhult's position in this product area, which happens to be the market's largest and most competitive, is of central importance. The way forward is to continue working on product development and solutions that generate value combined with a cost focus in every part of the Group. Our employees are key resources, with the task of building and managing strong customer relationships as well as personifying our lighting expertise.

OUTCOME

- A new record year - sales rose 1.1 per cent (adjusted for currency effects and acquisitions) compared with the previous record year of 2014.
- Strong growth in market shares and sales in our largest markets: Sweden, the UK and Germany.
- Continued focus on gross margins, lower fixed costs and smarter pricing have had a favourable impact.

3

GROW ORGANICALLY IN RETAIL LIGHTING

A clear trend exists toward working directly with retail and concept managers at large and often global fashion and grocery chains. In addition to identifying the possibilities that continuously pop up and working with more markets, one route is to follow the global fashion chains as they expand into new and existing markets. Products at the right price, a high level of service and short lead times are success factors as is knowledge of the customer's customer.

OUTCOME

- The Retail product area declined 8.3 per cent (adjusted for currency effects and acquisitions) in 2015.
- Positive growth among our large global retail customers provides a good platform for a continued upward trend with new and existing retail customers.

The six strategic initiatives to be realised by 2017 are rooted in what we should do to drive our business and operations. In addition to conducting efficient and profitable operations to finance aggressive initiatives, one of the cornerstones is that we should manage and develop our existing strong position in the industry's value chain. In turn, this is based on strong brands that, with local and close customer relations, combine to be able to create lighting solutions that add value for the end customer.

4

GROWTH WITHIN OUTDOOR LIGHTING, ORGANICALLY AND THROUGH ACQUISITIONS

The investment in strengthening our own outdoor lighting product portfolio has resulted in the product families Vialume, Evolume and Lunova. The clear acquisition strategy remains firm.

OUTCOME

- The Outdoor product area grew 24 per cent (adjusted for currency effects and acquisitions) in 2015.
- Our own product families Vialume, Evolume and Lunova with their combination of LED technology and control systems have major potential to continue growing in the market.
- The work of developing new variants of luminaires adapted for large road networks will expand the product families in 2016.

5

STRIVE FOR WORLD-CLASS PROCESS AND COST EFFICIENCY

Initiatives for continuous improvements, reduced use of resources and more efficient work methods are a constantly ongoing process for all parts of the Group. The digitisation of operations in general combined with efficiency enhancements in purchasing, production and logistics are central components of increasing productivity and cutting costs.

OUTCOME

- Significant savings in purchasing by leveraging the Group's size.
- With a broader exchange of knowledge between the companies, we are strengthening our joint lighting expertise.
- Efficiency efforts have contributed to an improved gross margin.

6

INCREASE EXPOSURE TO EMERGING MARKETS

Increasing our exposure to emerging markets through acquisitions and organic growth. With the latest acquisition, Lighting Innovations of South Africa, Fagerhult is taking the step into an entirely new market and continent.

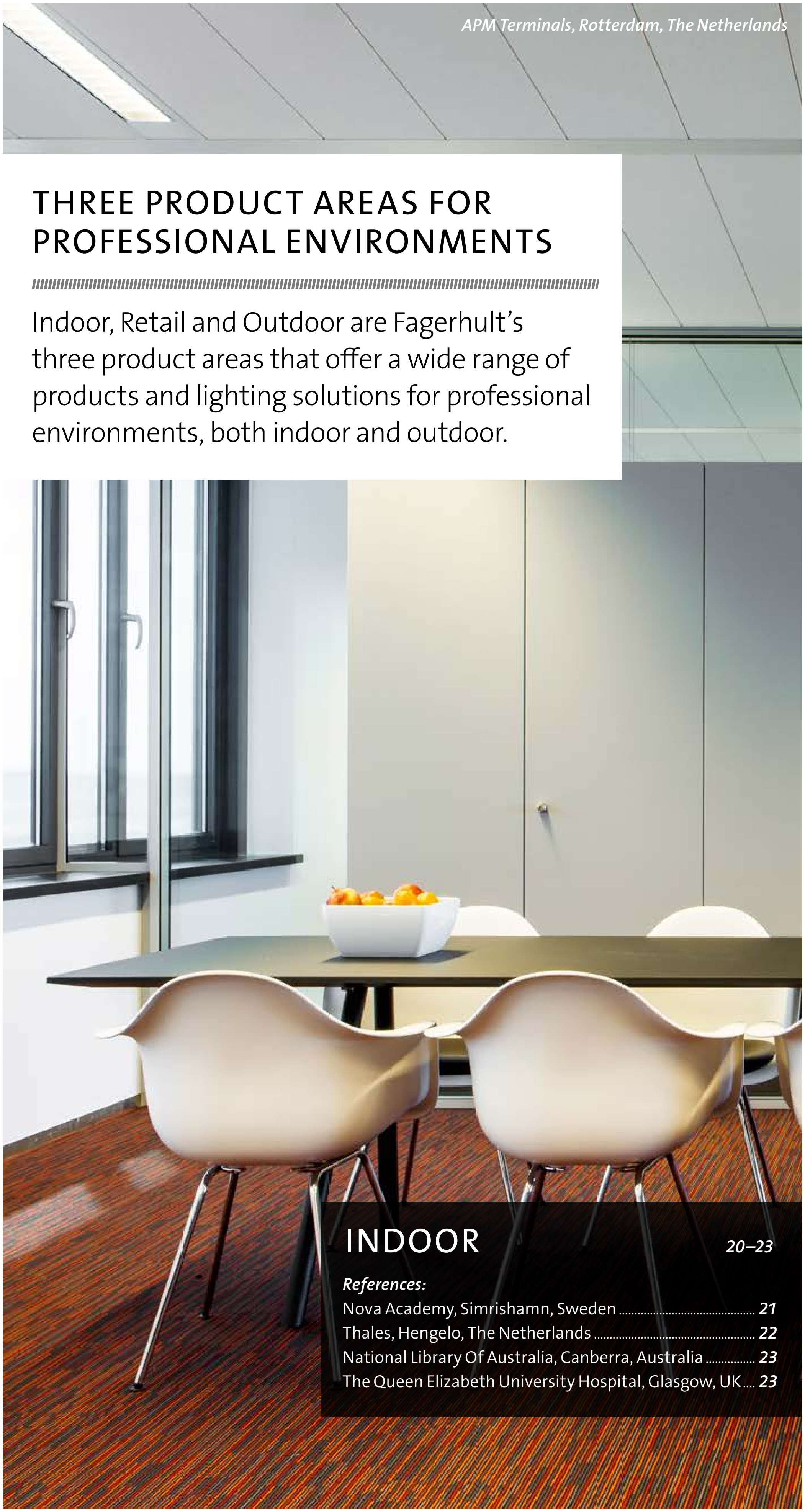
OUTCOME

- The acquisition of Lighting Innovations shows that we are consistent in applying our strategy.
- Fagerhult sees considerable long-term potential in the emerging markets in which we are active.
- In 2015, the market was weak in Russia and Turkey due to political and economic developments. However, both markets are still characterised by continued healthy profitability.

APM Terminals, Rotterdam, The Netherlands

THREE PRODUCT AREAS FOR PROFESSIONAL ENVIRONMENTS

Indoor, Retail and Outdoor are Fagerhult's three product areas that offer a wide range of products and lighting solutions for professional environments, both indoor and outdoor.



INDOOR

Holy Greens, Helsingborg, Sweden

RETAIL 24–27

Landsarkivet, Gothenburg, Sweden

OUTDOOR 28–31

INDOOR

Indoor lighting is Fagerhult's largest product area and accounts for a significant share of the company's total sales. All of the nine brands develop and market lighting solutions for indoor use.

INDOOR'S SHARE OF THE GROUP'S TOTAL NET SALES

68 %

INDOOR'S NET SALES SPECIFIED PER BUSINESS AREA

- Northern Europe, 41 %
- The UK and Ireland, 39 %
- Rest of Europe, 4 %
- Africa, Asia and Australia, 16 %

The impact of light on humans' well-being is well known. Correctly adapted lighting has the ability to make us thrive and perform better, at work and at school. Correct lighting is a key element of security at industrial premises, it is also a key factor for healthcare, where lighting should deliver appropriate illumination and meet high hygiene requirements.

Lighting solutions for indoor use are the common denominator for the brands and are offered in all of the Group's markets. Together we cover the majority of the needs that exist for indoor professional environments in terms of luminaires and solutions. The most prominent drivers are the possibilities of LED technology to create energy-efficient solutions that, combined with smart control systems, create added value for the customer.

A SALES MODEL ADAPTED TO LOCAL CONDITIONS

The sales model is adapted to the local market and the customer segments' needs. This means sales direct to end customers and indirectly at the specifier level, which for Indoor primarily comprises lighting designers, architects, electrical consultants and property companies. The main indoor environments comprise:

- Modern office environments with the possibility of directing and controlling lighting.
- Educational premises, including everything from classrooms to libraries.
- Health and medical care, including everything from luminaires for wards and examination rooms to adapted lighting for dialysis columns and panels for intensive care units and treatment rooms.
- Industrial environments and institutional environments needing vandalism-proof luminaires.

INDOOR'S PERFORMANCE IN 2015

Traditionally, Indoor is a highly competitive market. The position in the mass-premium segment is a key element of our success where we combine extensive knowledge and expertise with good product quality and delivery reliability. Since the end of the year, Fagerhult has offered a complete range of LEDs, which now accounts for more than two thirds of total sales. Moreover, there is a continuous increase in the share of luminaires sold in combination with some form of control system that adapt the lights' intensity and colour temperature.

In 2015, sales increased 1.1 per cent (adjusted for currency effects and acquisitions) compared with the record year of 2014. Above all, the UK and Nordic markets stand out both in terms of sales and higher market shares.

NOVA ACADEMY,
SIMRISHAMN, SWEDEN

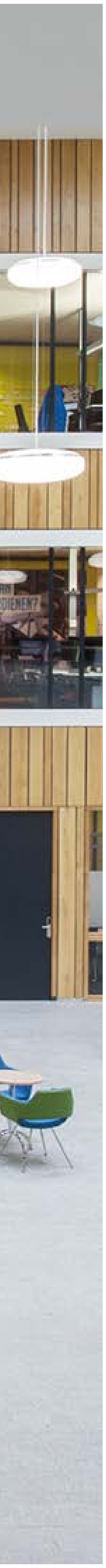
CASTING LIGHT ON WELL-BEING IN A SCHOOL ENVIRONMENT

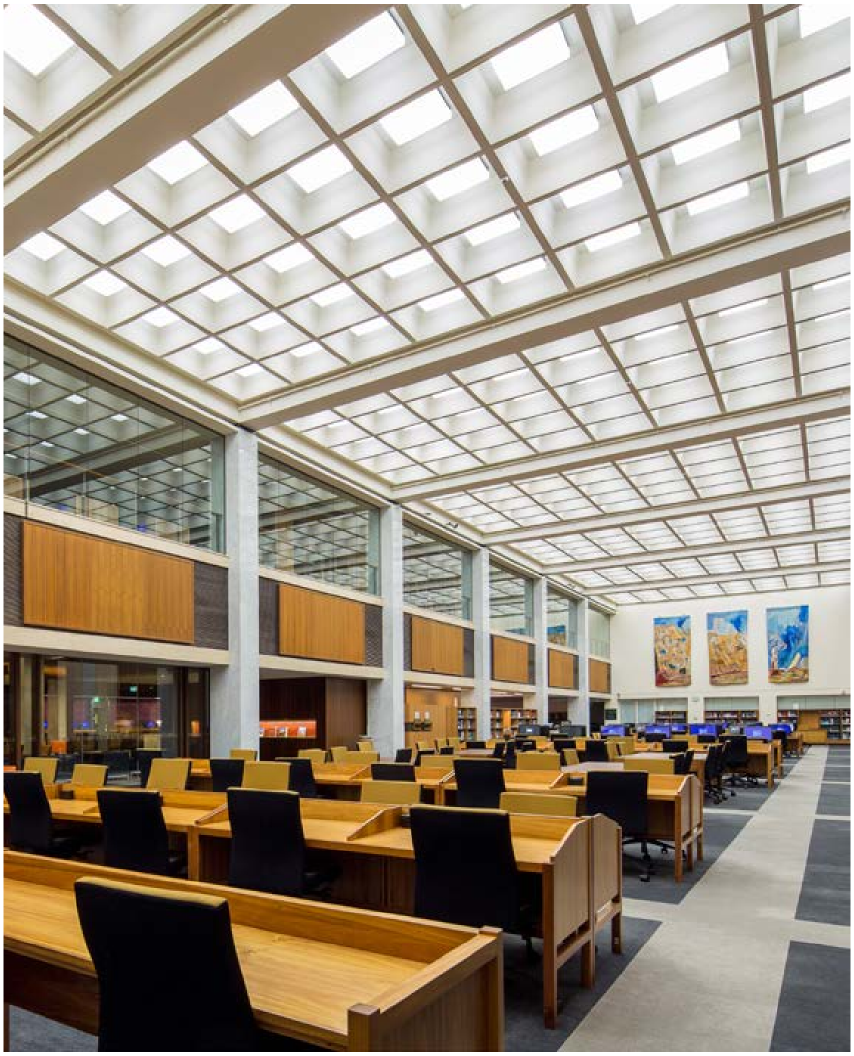
The municipal secondary school Nova Academy in Simrishamn values the significance of the surroundings for the well-being of students and teachers, and has equipped its premises with discrete and minimalist ceiling luminaire Level in cooperation with Ateljé Lyktan. Thanks to its compact format, the luminaire allows the light source be at the level of the larger surrounding ceiling area and shows the lighting's ability to convey the feeling of sunlight from a skylight, especially in sections with an inclined ceiling.

THALES, HENGELO, THE NETHERLANDS

LIGHT THAT BOTH OPENS UP AND DEMARCATES

The starting point for the renovation of the head office of the defence and security electronics company Thales in Hengelo has been to safeguard the building's qualities and create openness. An approach that has served as a guide in Fagerhult's work on formulating flexible lighting that facilitates an activity-based way of working. The fact that Fagerhult was involved as early as the drafting stage of the building's new design provided optimal conditions for the final lighting solution. The atrium is adorned with Tibi of various sizes and at differing heights, which create a natural, vibrant effect to match the architect's vision.





NATIONAL LIBRARY
OF AUSTRALIA, CANBERRA

LED LIGHTS AMPLIFY ARCHITECTONIC EXPERIENCE

The National Library may be a less well-known building than the Sydney opera house, but the connection to Australia's history is all the stronger. The library came to Canberra at the same time as the parliament and moved into its current building in 1968. Eagle Lighting's assignment not only included implementing LEDs in the listed building, but also designing and manufacturing new luminaires. The new lighting contributes to energy savings and makes it possible to further accentuate the building's spatial qualities in line with the intentions from the 1960s.

THE QUEEN ELIZABETH UNIVERSITY HOSPITAL, GLASGOW, UK

Adjusts light for patients, personnel and visitors

The Queen Elizabeth University Hospital in Glasgow is one of the UK's largest emergency hospitals and the largest healthcare project that Whitecroft has been involved in. The hospital's 14 floors and more than 1,000 beds are home to the latest specialist medical care in renal medicine, transplantation and vascular surgery. There is also an adjacent children's hospital with more than 250 beds. Whitecroft's four criteria for healthcare premises are based on user experience, infection control, lighting requirements, and energy and sustainability, which are combined in the lighting solutions that were in place well in advance of the inauguration by the Queen in July 2015.

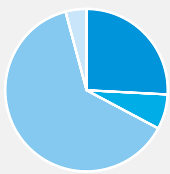
RETAIL

Retail lighting solutions comprise Fagerhult's second largest product area, which accounts for one third of the Group's sales. Retail mainly offers lighting solutions for large retail chains with well-known brands.

RETAIL'S SHARE OF THE GROUP'S TOTAL NET SALES

25 %

RETAIL'S NET SALES SPECIFIED PER BUSINESS AREA



- Northern Europe, 26 %
- The UK and Ireland, 7 %
- Rest of Europe, 63 %
- Africa, Asia and Australia, 4 %

One crucial and self-evident task of retail lighting is to create an attractive and inviting retail environment. However, retail lighting is also increasingly about highlighting and strengthening brands and, not least, about stimulating consumers' purchasing behaviour.

The range is marketed primarily under the Fagerhult brand, which is principally aimed at larger retail chains with well-known brands in fashion and food retailing. The product area has been divided to create two focus areas: Food and Fashion, to better meet various forms of consumption patterns. In addition, LTS has an offering aimed at showrooms and concept stores and, on a smaller scale, Whitecroft in the UK and Arlight in Turkey offer retail-lighting solutions.

WITH THE AMBITION TO FOLLOW THE CUSTOMER OUT IN THE WORD

The retail-lighting sales model has changed over the years in its adaptation to the needs of local markets and the customer segments. Today, marketing is primarily aimed at concept managers with major international fashion chains since retail lighting is a key element of the design concept. Retail-lighting solutions are offered in a majority of the Group's markets even if to a varying extent. A significant factor for growth is the possibility to grow in pace with the expansion of a store chain. LTS is a strong player in the German market, while Fagerhult has a strong position in the Nordic market and favourable positions in Russia, the UK, France and the Netherlands. Fagerhult's sales are mostly direct to end customers, while LTS sells principally through wholesalers.

RETAIL'S PERFORMANCE IN 2015

The physical store still plays a central role as a primary sales channel alongside of the digital channel, particularly as a showroom that strengthens the brand. There are few tools as effective as light when it comes to creating the right mood and atmosphere in a retail environment.

In many respects, Retail follows the general consumer trend and is the first product area to see signs of an economic downturn or upturn being on its way. In 2015, Retail sales decreased by 8.3 per cent (adjusted for currency effects and acquisitions) compared with the year before. This is largely a result of the comparison period's large, non-recurring projects which mainly affected Retail.

MARC CAIN, HAMBURG, GERMANY

CLOSE COLLABORATION PROVIDES NOTEWORTHY RESULTS

The German clothing brand Marc Cain's new store in central Hamburg was named the "Store of the Day" by the fashion magazine Textilwoche in August. The overall experience that the visitor encounters is largely comprised of the lighting concept Marc Cain developed in close cooperation with LTS. The rectangular light profiles with metal pipes, Lightframes, that hang from the ceiling are inside the store and in the display window where they call visitors' attention to selected products. The retailing concept is a good illustration of the strength of LTS's customer offering – close customer cooperation that guarantees aesthetic and functional lighting solutions that are customised based on unique needs and developed in pace with new technical possibilities.


Volt


Cubus


BikBok

MALL OF SCANDINAVIA, SOLNA, SWEDEN

UNIQUE LIGHTING STRENGTHENS IDENTITY

When the Nordic region's largest, most modern shopping centre, the Mall of Scandinavia, opened its doors in Solna outside of Stockholm in November 2015, Fagerhult was involved on more than one level. A number of the stores – including the clothing stores Volt, Cubus and BikBok – have chosen to welcome their guests with lighting solutions from Fagerhult.

VOLT'S STORE TARGETS fashion-conscious men using an experience that can be compared with stepping into an old british library. The store is divided into two departments: one black and one brown. The former presents suits and the latter a more relaxed style. Hanging luminaires account for a core element of the whole, with an experience of quality that is enhanced by crystal chandeliers.

AT CUBUS, the visitor encounters a more open language with more directly accessible fashion. The classic and discrete luminaire Notor provides both functional basic light and aesthetic identity through linear elements and long light lines. Cubus combines Notor with directed light from cone-shaped Zone Evo luminaires, where the depth of the reflector reduces glare and enhances exposed products.

BIKBOK TARGETS young women interested in fashion with a store characterised by feeling and expressiveness. Interiors in white, grey and marble provide a cool, Scandinavian feeling that is balanced by clear contrasts in the lighting. Dynamics and flexibility have been created by opting not to use background lighting and instead focusing all light with Marathon LED luminaires directly on the clothing collection.

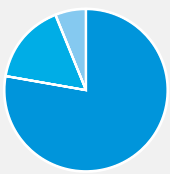
OUTDOOR

Outdoor lighting is the Group's youngest, and as yet smallest product area. With its own product families, Vialume, Evolume and Lunova, under Fagerhult's brand, an offensive is now under way in the market for park, street and road lighting, which generated solid market growth in 2014 and 2015.

OUTDOOR'S SHARE OF THE GROUP'S TOTAL NET SALES

7%

OUTDOOR'S NET SALES SPECIFIED PER BUSINESS AREA



- Northern Europe, 77 %
- The UK and Ireland, 16 %
- Rest of Europe, 6 %
- Africa, Asia and Australia, 0 %

Using outdoor lighting to create urban environments that are perceived as safe, secure and aesthetically pleasing is a crucial part of making cities more attractive. Investing in LED lighting can realise substantial energy savings and adding intelligent controls makes the lighting even more cost-efficient. With the help of tomorrow's technology, lighting can be linked together in a network that can, in turn, deliver information regarding items, such as, the traffic intensity at the location.

Fagerhult offers lighting for most types of outdoor environments. Everything from facades and roofs to footpaths and cycle paths, streets and open spaces. Of the Group's brands, it is primarily Fagerhult and Ateljé Lyktan that offer solutions for outdoor use. Designplan's robust products are adapted to manage harsh environments with exposure to severe weather and human impact.

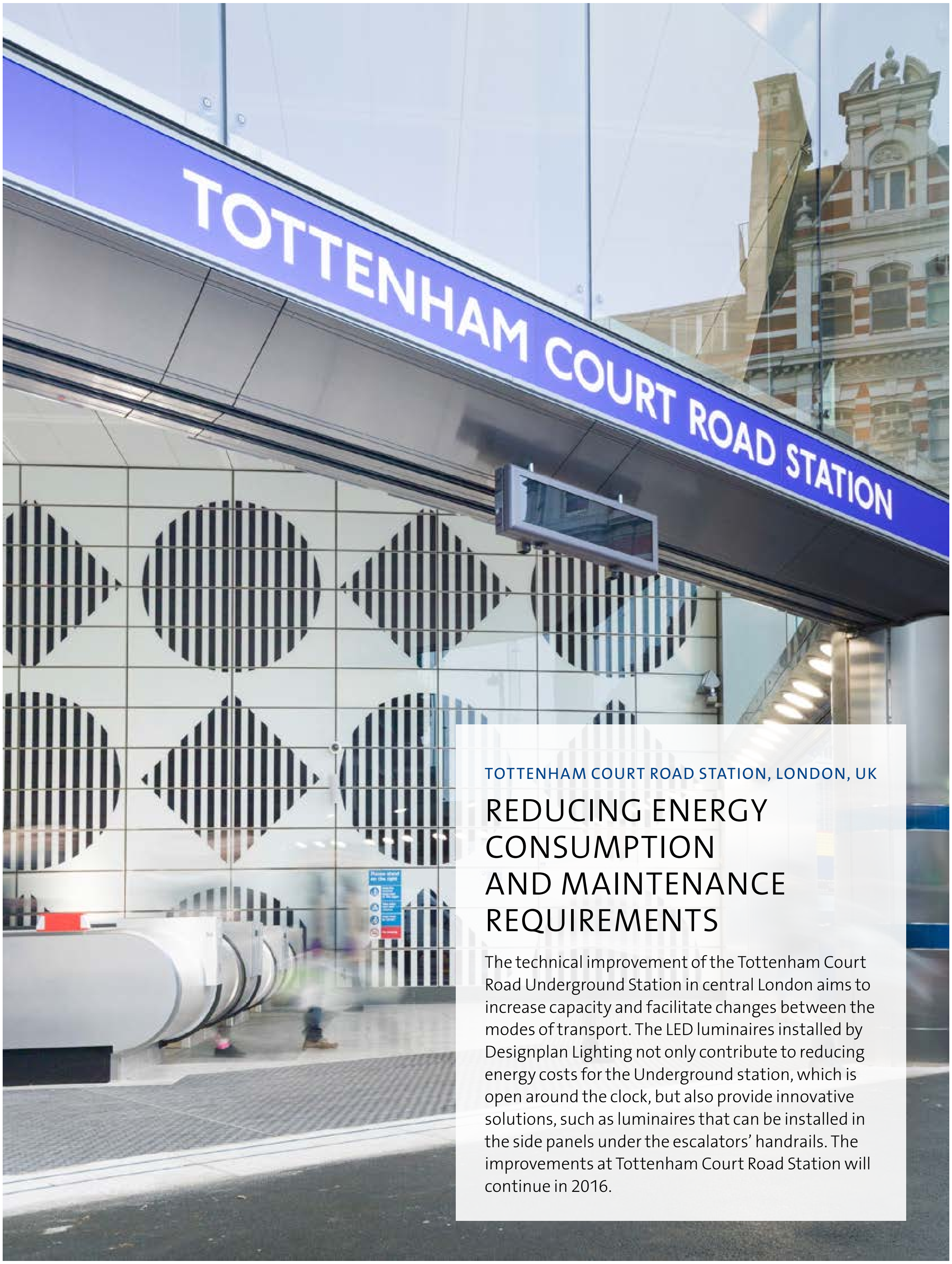
GLOBAL MARKET WITH A LOCAL SALES MODEL

Lighting solutions for outdoor use are offered in each of the Group's geographical markets. However, sales activities are mainly focused on the Nordic market. With varying degrees, the sales model focuses directly on end customers, for example, a municipality in its capacity as owner of streets and parks. In Outdoor's case, it also focuses on indirect sales at the specifier level, mainly comprising consultants, landscape architects and municipalities. From a Nordic perspective, public procurements are another key sales channel.

OUTDOOR'S PERFORMANCE IN 2015

The outdoor-lighting market comprises a number of well-established companies. To increase the possibilities of taking market shares, Fagerhult has developed a product family of its own comprising Vialume and Evolume, luminaires for street and road lighting, and Lunova, luminaires for park lighting.

Outdoor is generally less sensitive to economic fluctuations than the other product areas and in 2015, sales increased by no less than 23.8 per cent (adjusted for currency effects and acquisitions) compared with the record year 2014. This positive trend is above all driven by both Ateljé Lyktan and the Fagerhult brand in the Nordic market. In 2016, the product family will be expanded with new variants of luminaires adapted for large road networks.



TOTTENHAM COURT ROAD STATION, LONDON, UK

REDUCING ENERGY CONSUMPTION AND MAINTENANCE REQUIREMENTS

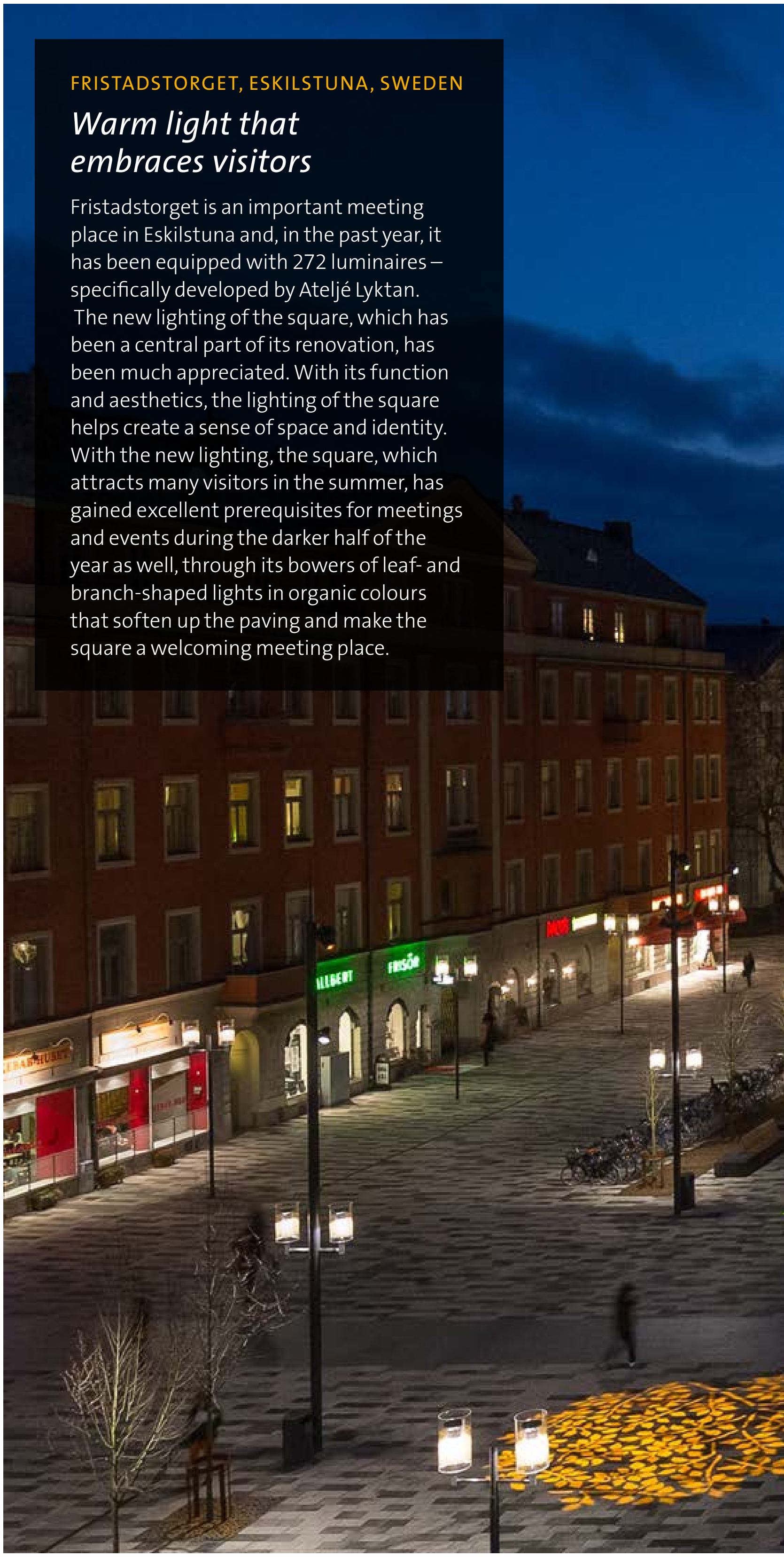
The technical improvement of the Tottenham Court Road Underground Station in central London aims to increase capacity and facilitate changes between the modes of transport. The LED luminaires installed by Designplan Lighting not only contribute to reducing energy costs for the Underground station, which is open around the clock, but also provide innovative solutions, such as luminaires that can be installed in the side panels under the escalators' handrails. The improvements at Tottenham Court Road Station will continue in 2016.

HOVSLÄTT IK, JÖNKÖPING, SWEDEN

HIGHER LIGHT INTENSITY ON THE EXERCISE TRACKS

In Hovslätt outside Jönköping, the local exercise track has been updated with Fagerhult's post luminaire Evolume 1 with the ability to both increase the luminous intensity on the track and reduce the total energy consumption. Intensive light strengthens the positive experience – both directly on the track and further away – and thereby provides a markedly safer feeling compared with older technology. The new energy-efficient and cost-effective Evolume is designed with LED luminaires for smaller roads and, with an unobtrusive and neutral design, is suitable for both newly built and historical surroundings.

The LED diode light flow that decreases over time has been advantageously used in Evolume by less energy being used at the beginning of the luminaire's life cycle and more power at the end. This provides a constant flow of light that, combined with lighting control, increases the potential of substantial energy savings.



FRISTADSTORGET, ESKILSTUNA, SWEDEN

Warm light that embraces visitors

Fristadstorget is an important meeting place in Eskilstuna and, in the past year, it has been equipped with 272 luminaires – specifically developed by Ateljé Lyktan.

The new lighting of the square, which has been a central part of its renovation, has been much appreciated. With its function and aesthetics, the lighting of the square helps create a sense of space and identity. With the new lighting, the square, which attracts many visitors in the summer, has gained excellent prerequisites for meetings and events during the darker half of the year as well, through its bowers of leaf- and branch-shaped lights in organic colours that soften up the paving and make the square a welcoming meeting place.

FAGERHULT – 70 YEARS OF INNOVATIVE AND CREATIVE LIGHTING

With a passion for light, the Fagerhult brand has created a multitude of functional and designed lighting over the years. With LED technology and smart control systems, we are now continuing this trend with the aim of contributing to both a brighter and more sustainable world.

1945

Bertil Svensson founded Fagerhults Lampindustri together with his childhood friends Helmer Andersson and Harald Ulfenborg. The assortment consisted of home lighting with hand-sewn lamp shades.

1947

Operations were established in a 98 m² factory.

1959

The large order for 5,000 luminaires for the Skatteskrapan skyscraper in Stockholm was Fagerhult's breakthrough.

1969

Launch of the Fabian lamp, the innovation of which lay in its ability to handle the plastic material combined with the heat that arises. In the ensuing 20 years, a total of four million Fabian units were sold, probably making it the world's most sold lamp.

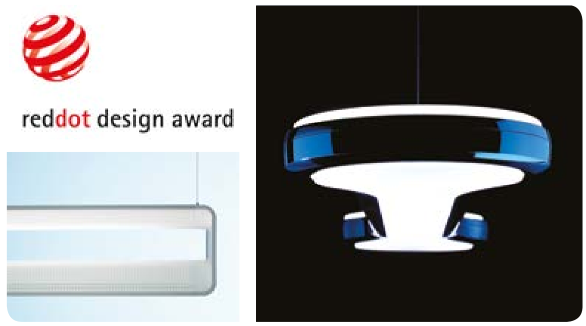
1985

The Bertil and Britt Svensson Foundation for Lighting Technology is formed with the aim of promoting research and education in lighting technology.

70 YEARS OF LIGHTING KNOWLEDGE

2010

Fagerhult invests in LED technology and launches several decorative luminaires, such as Freedom. At the time, Fagerhult had luminaires for both Indoor and Outdoor, while Retail came a bit later.



2007

The luminaires Orosso and Open Box are rewarded with the German Red Dot Design Awards.

2002

Fagerhult launches its first LED luminaire, emLED 2002, which was an emergency lighting fixture. At the time, LED lighting was considered to be too expensive and inefficient to be used in any other kind of operations.

2001

Research is focused on answering the question of why a light environment with a large amount of ambient light makes people feel and perform better.

1996

Pleiad, the first generation of Fagerhult's successful downlight range is launched with T5 as the light source.

BRIGHT FUTURE FOR LIGHTING CONTROL

LED technology, digitisation and the individualisation of products are all strong drivers of the development of control systems that intelligently adapt lighting to all kinds of situations and needs.

Once the basic task of lighting is accomplished – creating light conditions relevant to the task at hand and shielding us under a protective light – we can instead concentrate on how it can be best adapted to meet specific needs, enhance feelings and increase our creativity, says Daniel Unoson, Product Manager for Lighting Control at Fagerhult.

There is already the possibility of controlling lighting to, for instance, maintain the daily rhythm in a space that lacks natural lighting or creating a proximity-sensor controlled walking or running path.

"I like to draw a parallel to acoustic facilities where there are endless variations for adapting the strength based on needs and situations, in other words, there is a huge difference between concert music and unobtrusive background music. It works exactly the same way with lighting – the possibility of adapting it based on the needs and situations contributes to creating extensive value, whether individual, social or commercial, alongside of the tangible benefit."

Daniel Unoson, Product and Application Manager for lighting control at Fagerhult.

In recent years, the technology shift to LED and its possibilities of major energy savings has been a central driver of development in the lighting industry in general. This is now continuing with the possibility of achieving additional savings by combining LED technology with controls – a development that is also being pushed by digitisation in general and the development of software in particular.

> *"Besides the lighting's quality and visual comfort, another aspect we never compromise on is its simplicity. Regardless of whether it involves production, installation or use."*

"The individualisation of products also constitutes a strong trend of which the mobile phone is a good example. A mass product that in our hands can be specifically adapted based on specific personal needs. By combining the three dimensions of light – visual, emotional and biological aspects – we apply the same thinking to endow the lighting with an interface that gives the user the possibility of readily adapting it based on the particular situation and individual needs. Fagerhult's e-Sense Tune is a particularly good example of this."

With e-Sense Tune, the lighting is quickly and easily adjusted to the needs of the moment.

Luminaires are also of interest as bearers of sensors and processors aimed at gathering information and performing services. In other words, this involves the Internet of Things, which in this case shapes the luminaires into an ecosystem of smart environments.

"The Internet of Things will really accelerate in pace with the development of standardised protocols, the formation of collaboration between various market players and the identification of business opportunities. This trend is already underway, but it will take a few more years before the possibilities can really be realised."

In their simplest form, the luminaires can be equipped with components that facilitate the lighting maintenance by providing indications regarding function and life cycle. More advanced versions use luminaires as bearers of sensors that can be programmed to, for instance, gather information on traffic flows and people's movements, which can then be used for a variety of purposes.

"However, besides the lighting's quality and visual comfort, another aspect we never compromise on is its simplicity. Regardless of whether it involves production, installation or use. In other words, it should always be easy and intuitive to turn on and off lighting and to adjust it to your particular needs."

e-Sense Tune

With personal lighting in hand

E-SENSE TUNE is a wireless plug-&-play system for control that gives the user the possibility of fully adapting the lighting based on needs, here and now. Communication, which takes place through a mobile phone or tablet, is based on an intuitive interface that makes it easy to use the preset scenarios:

- **activate**: a cold, intensive and energising light.
- **focus**: a warm, dimmed light.
- **adapt**: light that adapts to ambient daylight.
- **mimic**: a light that changes colour temperature throughout the day.

In addition, it is possible to create a few highly personal lighting scenarios that include all connected luminaires.

GLOBAL EMPLOYER THAT REFLECTS LOCAL NEEDS

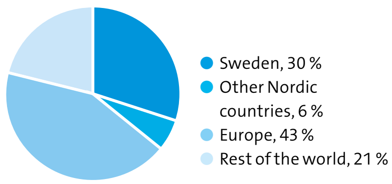
Our decentralised business model provides each company with the possibility of themselves building an organisation that creates participation, motivation and satisfaction. In turn, the employees' contributions in the form of expertise, commitment and innovation form the basis of Fagerhult's ability to achieve both our common and local business targets.

In 2015, work continued to build a shared management model, adapted to our operating model, for the entire Fagerhult Group. A second round of the international management programme Bright Leaders was held and attracted about 15 of the Group's senior management.

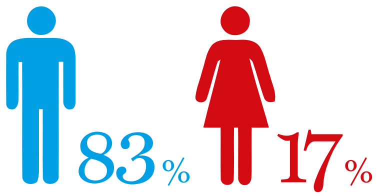
The aim of the programme is to further strengthen their ability to lead in a high-performance organisation and give the participants the tool kit and network they need to further grow in their roles and in the Group. Another purpose is to form a leadership that constitutes the crucial bridge between the Group's collective strength and the local entrepreneurial spirit. Bright Leaders is also a good opportunity to build up a contact network with key people in the Group. We thereby create more dynamic communication between the companies, which can also live on as the participants take it back into their daily work.

In total, 32 employees have now attended the programme, which is rated 4.8 out of 5.0 by the participants, and a new round is planned for spring 2016.

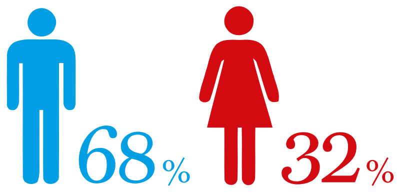
PERCENTAGE OF EMPLOYEES PER GEOGRAPHICAL MARKET



MEMBERS OF THE BOARD AND SENIOR MANAGEMENT BY GENDER



EMPLOYEES BY GENDER



SHARING EXPERTISE STRENGTHENS OUR BUSINESS AND INCREASES VALUE CREATION

One of Fagerhult's strengths as an employer is our possibility of combining local perspectives and entrepreneurial drive with the strengths of the international organisation. This in turn provides good development opportunities for our employees. The ambition from management is to strive for greater job rotation where an important step is for all jobs in the Group's companies to be advertised over our intranet. We also work on matching the employees' expertise and experience with the needs of various projects among the Group companies. This way, a number of employees who have opted to try new challenges and duties were able to participate in temporary exchanges with one of the other companies.

TRAINEE PROGRAMME THAT ATTRACTS YOUNG TALENTS

Making contacts with future talents is an important part of Fagerhult's skills supply, whereby participation in external activities and job market days at selected universities are ways to increase interest in Fagerhult and the lighting industry.

Another way to attract young talents is through the two-year trainee programme that Fagerhult introduced in autumn 2015. Among more than 400 applicants, four trainees were selected, three engineers and one economist. All of them are based in the Swedish market, but following the introduction period comes a series of half-year projects at our various companies. An important aspect in this matching is to identify the unique expertise the trainee can add to a certain project and to ensure that it is a project that helps the trainee build relevant knowledge for the continued journey within Fagerhult.

The trainee programme, which we hope becomes a recurring activity, is an important way for us to broaden and renew the skills that complement the expertise we already possess. We also believe that young, gifted talents have good possibilities of contributing both new perspectives and cutting-edge expertise in central areas of development.

WE WELCOME OUR NEW EMPLOYEES IN SOUTH AFRICA

The Fagerhult Group is growing and with the acquisition of South African Lighting Innovations, we have gained another 210 colleagues. We are now total about 2,600 employees in the Group. The integration process is in full swing and is following a similar path to our other acquisitions.

Since this involves a strong brand well rooted in its home market, their activities are largely continuing as before. With the addition that they now also have access to Fagerhult's Group-wide resources and can make use of our synergies in terms of size and expertise.

"One of Fagerhult's strengths as an employer is our possibility of combining local perspectives and entrepreneurial drive with the strengths of the international organisation."

Being a part of the Fagerhult Group means that the guidelines for responsible enterprise must be complied with. It is all formulated as a Code of Conduct in which our view on areas including working conditions, diversity and equal opportunities, are set forth. The Code also regulates our relations with suppliers and customers in regard to gifts, entertainment and sponsorship and also describes how we understand our environmental responsibility and how we manage local legislative differences. In addition, there is also a whistle-blower function as a complement to the Code of Conduct to make it as easy as possible to alert us if there are irregularities in our or in our business partners' operations.

AN EXCHANGE THAT ENRICHES IN MANY WAYS

Increasing the skills exchange between the companies is both a way to better utilise all knowledge in the Group and to create attractive development opportunities for the employees. After exchanging Fagerhult's office in Stockholm with Designplan's just south of London for a few months, Jakob Börjeson is back home – enriched both by experiences and new friends.

Jakob Börjeson never hesitated when he was asked at the end of 2014 if he would consider living and working in London for three months. The objective of the assignment was to help Designplan with a status assessment as a part of their continuous work to streamline processes and work flows. At the beginning of February, he was on site at Designplan's office and production unit in Sutton, just south of London.

"My expertise and background as a marketing coordinator at Fagerhult proved to be an excellent combination for the assignment in question. It gave me the opportunity to see their operations and processes with new eyes and, at the same time, I had the industry knowledge that was required," says Jakob Börjeson, usually the Marketing Coordinator at Fagerhults Belysning's sales company in Sweden and Norway.

The quality of Designplan's luminaires is well known and the company takes a niche position in the British market with lighting solutions that are primarily suitable for weather and vandalism-resistant environments.

"The first step was to map and analyse what happens with an order from sale to delivery. I methodically interviewed the employees, who generously shared their experience and suggested solutions. In the final report, I proposed a future process with a number of identified milestones along the order process that contribute to further quality assurance of delivery precision."


Jakob Börjeson

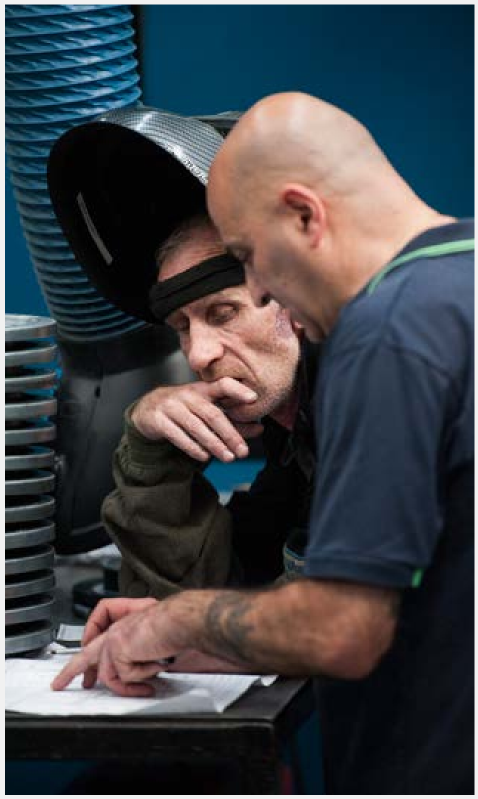
In other words, the status assessment generated a number of new projects that the management at Designplan was immediately able to translate into action. Jakob Börjeson wants to recommend more of his colleagues to investigate the chances of a skills exchange in every way.

"The opportunity to work in a different country for a period and meet new colleagues is enriching in so many ways, both privately and in terms of work. The status assessment, meant I was able to add value to Designplan and to take home to Sweden a well-tried analysis method as well as a significantly larger network. Right now, I'm translating this into a prestudy on how we communicate at Fagerhult's Swedish sales company with the aim of identifying the elements that are suitable for digitisation. Something I was struck by is that, even if we work with different kinds of lighting and different markets, there is substantially more that unifies us than separates us. Our challenges are often shared and a common way to solve a problem in one company can become a rewarding addition in another."

”Generally, our experience of competence exchange within the group has been positive and we would support an increase of this type of activity as we very much received the benefits. Jakob ‘ticked all of our boxes’ but delivered much more than our original requirements. He was involved in a number of complex tasks as part of a company-wide project we christened ‘It’s all about the Date’. The objective was to improve our on-time delivery performance, in which we have made excellent progress and have been operating at >95 percent of all deliveries being on time for some months now.

Also, Jakob's insight led to many new perspectives for us, and he had a key role to play in developing the cultural change required – possibly something we underestimated the impact of at the start of the project!“

David Barnes
Operation's Director, Designplan Lighting Ltd.



THE FAGERHULT SHARE

Fagerhult's share was listed in May 1997 and is traded on the Mid Cap list of the Nasdaq OMX, Stockholm. Market capitalisation at year end totalled about SEK 6.0 billion.

SALES AND TRADING

The share symbol is FAG and its ISIN code is SE0005935558. One trading lot corresponds to one share. In 2015, total turnover for the share on Nasdaq OMX in Stockholm was 1.9 million shares, at a combined value of SEK 275 million, which corresponded to approximately 100 per cent of share turnover. Average share turnover per trading day was about 7,607, representing a value of SEK 1,098,000. An average of approximately 26 trades were made per trading day.

LIQUIDITY GUARANTEE

In 2015, an agreement, under the framework of Nasdaq OMX Stockholm's liquidity guarantee system, was signed with ABG Sundal Collier Norge ASA aimed at increasing turnover in Fagerhult's share.

SHARE PRICE TREND

At 31 December 2015, the closing price for Fagerhult's share was SEK 157.5 per share, corresponding to a market capitalisation of approximately SEK 6.0 billion. The price of the Fagerhult share rose 14 per cent in 2015. Over the same period, the Nasdaq OMX Stockholm PI rose 6 per cent. The highest closing price of SEK 168.00 was noted on 26 May and the lowest on 27 January at SEK 128.50. The average share price for the year was SEK 145.

Total shareholder return for the Fagerhult share, defined as the price trend including reinvestment of the dividend of SEK 3.00, was 17 per cent.

SHARE CAPITAL

At year end, Fagerhult's share capital amounted to MSEK 65.5 (65.5), allocated over 38,550,000 shares with a quotient value of SEK 1.70 per share. All shares have equal voting rights and an equal participation in the company's earnings and capital.

At the Annual General Meeting (AGM) on 21 April 2015 also resolved that the company be permitted to buy back its own shares. This option was not exercised in 2015. In connection with the allocation of shares tied to the Group's share-savings plan, treasury shares were used. The number of treasury shares totalled 686,949 (714,000) after allocation and the number of shares outstanding was 37,863,051. The percentage of shares held as treasury shares was 1.8 per cent. The Board of Directors proposes that the AGM resolve to grant the Board the continued right to buy back the company's shares until the next General Meeting.

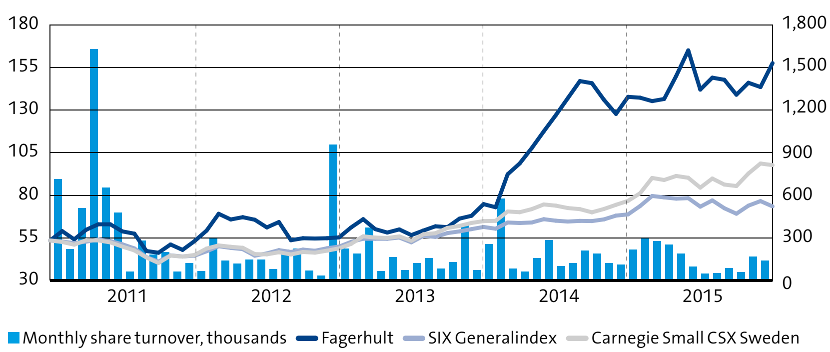
OWNERSHIP STRUCTURE

At year end, Fagerhult had 4,038 (3,745) shareholders. The largest single shareholder was Investment AB Latour, in which the Douglas family are the main shareholders, with combined holdings of 48.9 per cent (49.0) of the share capital and votes in the company, based on the number of shares outstanding. The eight largest shareholders accounted for 82.9 per cent (82.5) of the share capital and voting rights of the shares outstanding. The proportion held by shareholders outside of Sweden was 14.1 (13.4) per cent.

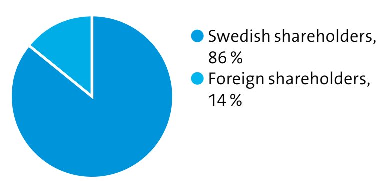
DIVIDEND

Over the long-term, Fagerhult intends to distribute 30–50 per cent of consolidated net profit. At this dividend level, the Board is of the opinion that there is sufficient cash flow to finance expected future investments. The Board proposes to the AGM a dividend of SEK 3.50 (3.00) per share, representing a dividend yield of 2.2 per cent (2.2) based on the share price on 31 December 2015.

FIVE-YEAR SHARE PRICE TREND



OWNERSHIP DISTRIBUTION



OWNERSHIP STRUCTURE (AT 31 DEC. 2015)

Shareholder	No. of shares	Share capital and voting rights, %
Investment AB Latour	18,530,400	48.1%
The Svensson family, foundation and company	2,836,875	7.4%
SSB CL Omnibus AC, USA	2,761,219	7.2%
Lannebo Fonder	2,658,014	6.9%
Robur Fonder	1,582,832	4.1%
SEB Fonder	1,264,469	3.3%
The Palmstierna family	1,006,200	2.6%
Nordea Fonder	741,789	1.9%
NTC Fidelity Funds	767,932	2.0%
Fourth Swedish National Pension Fund	476,464	1.2%
Handelsbanken Fonder	244,533	0.6%
Johan Hjertonsson	232,454	0.6%
Other owners with more than 20,000 shares (44 owners)	1,786,218	4.6%
Other owners with 10,001 – 20,000 shares (30 owners)	417,517	1.1%
Other owners with 1,001 – 10,000 shares (615 owners)	1,621,557	4.2%
Other owners with up to 1,000 shares (3,336 owners)	934,578	2.4%
AB Fagerhult, treasury shares	686,949	1.8%
Number of shares outstanding at year end	**38,550,000**	100.00%

SHARE TURNOVER

Year	2011	2012	2013	2014	2015
Volume of shares traded, millions	5.1	2.4	2.1	2.3	1.9
Value of traded shares, MSEK	297	150	129	373	275
Average volume of shares traded/trading day	21,450	10,098	8,229	9,255	7,607
Average value per trading day, SEK thousand	1,231	601	517	1,505	1,098
Turnover rate, %	14	7	5	6	5
Highest price paid during the year, SEK	64.33	73.17	75.67	151.50	168.00[1]
Lowest price paid during the year, SEK	43.33	51.67	55.00	71.50	128.50[2]

1) Paid 26 May 2015
2) Paid 27 January 2015

DATA PER SHARE

Year	2011	2012	2013	2014	2015
Earnings per share before dilution, SEK	5.48	4.20	4.83	6.90	7.62
Dividend per share, SEK	2.17	2.17	2.42	3.00	3.50[1]
Share price 31 Dec, SEK	53.33	55.33	74.83	137.75	157.50
Dividend yield, %	4.1	3.9	3.2	2.2	2.2
Equity per share, before dilution, SEK	22.84	24.52	27.22	35.13	37.98
Cash flow per share, before dilution, SEK[2]	6.67	6.27	5.84	10.33	11.72

1) Proposed dividend
2) Cash flow from operating activities

FINANCIAL INFORMATION

FIVE-YEAR OVERVIEW

Profit/loss items (MSEK)	2011	2012	2013	2014	2015
Net sales	3,023	3,085	3,095	3,736	3,909
(of which outside Sweden)	(2,294)	(2,302)	(2,369)	(2,930)	(3,040)
Cost of goods sold	–2,013	–2,108	–2,087	–2,524	–2,612
Gross profit	**1,010**	**977**	**1,008**	**1,212**	**1,297**
Selling expenses	–534	–580	–560	–636	–678
Administrative expenses	–184	–178	–184	–220	–246
Other operating income	26	32	14	23	23
Operating profit	**318**	**251**	**278**	**379**	**396**
Financial income	10	4	2	2	5
Financial expenses	–42	–41	–33	–33	–24
Profit after financial items	**286**	**214**	**247**	**348**	**377**
Balance-sheet items (MSEK)					
Intangible assets	1,008	975	1,048	1,448	1,466
Property, plant and equipment	344	339	333	387	392
Financial assets	28	23	23	26	35
Inventories, etc.	453	445	525	574	602
Trade receivables	540	495	577	676	678
Other current assets	105	89	66	68	94
Cash and cash equivalents	**306**	**257**	**249**	**353**	**472**
Total assets	**2,784**	**2,623**	**2,821**	**3,532**	**3,739**
Equity	864	928	1,030	1,329	1,437
Pension liabilities	83	60	62	66	66
Deferred tax liabilities	64	60	64	65	63
Other non-current interest-bearing liabilities	1,169	953	1,013	1,267	1,341
Other non-current non-interest-bearing liabilities				37	53
Current interest-bearing liabilities	29	117	59	60	1
Current non-interest-bearing liabilities	575	505	594	708	778
Total equity and liabilities	**2,784**	**2,623**	**2,821**	**3,532**	**3,739**
Key performance indicators and data per share					
Sales growth, %	20.6	2.1	0.3	20.7	4.6
Increase/decrease in operating profit, %	107.7	–20.8	10.3	36.5	4.6
Increase/decrease in operating profit after financial items, %	112.8	–25.3	15.5	40.9	8.4
Operating margin, %	10.5	8.2	9.0	10.1	10.1
Profit margin, %	9.5	6.9	8.0	9.3	9.6
Liquid ratio, %	51	41	38	46	61
Net debt/equity ratio, %	113	94	86	78	65
Equity/assets ratio, %	31	35	37	38	38
Capital employed, MSEK	2,145	2,058	2,163	2,723	2,846
Return on capital employed, %	16.3	12.2	13.3	15.6	14.4
Return on equity, %	26.3	17.8	18.7	22.1	20.9
Net debt, MSEK	975	874	885	1,040	937
Net investments in non-current assets, MSEK	66	92	65	110	118
Depreciation/amortisation of non-current assets, MSEK	89	85	88	95	107
Number of employees	2,228	2,192	2,204	2,370	2,451
Equity per share, SEK	22.84	24.52	27.22	35.13	37.96
Earnings per share, SEK	5.51	4.20	4.83	6.90	7.62
Dividend per share, SEK	2.17	2.17	2.42	3.00	3.50[1]
Cash flow per share, SEK	6.67	6.27	5.84	10.33	11.72[2]
Number of shares outstanding, thousands	37,836	37,836	37,836	37,836	37,863
Average number of shares outstanding, thousands	37,836	37,836	37,836	37,836	37,856

1) Proposed dividend.
2) Cash flow from operating activities.

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 2015.

Operations

The Fagerhult Group is the Nordic region'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 more than 20 countries and manufacturing facilities in Europe, Turkey, China, South Africa and Australia.

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

Changes in the Group

In 2015, the assets of Lighting Innovations in South Africa were acquired, as well as the assets in the subsidiaries Beacon Lighting and Arrow Lighting. Lighting Innovations has its registered offices in Port Elizabeth, South Africa. The business has been consolidated in the Group as of the fourth quarter of 2015. With the acquisition of Lighting Innovations, the Group gained access to the South African market and several attractive growth opportunities both in South Africa as well as the dynamic sub-Saharan region.

Sales and earnings

Market growth has been stable during the year in most of the Group's markets. While the UK displayed the most favourable trend, Sweden and Germany also reported strong growth. Although growth in Russia and Turkey has slowed during the year, the Group has been able to avoid any adverse earnings impact from this by focusing on market segments with above-average growth.

2015 was a strong year for Fagerhult. The acquisition of Lighting Innovations marked our entry into a new continent – Africa – and in financial terms, this has been Fagerhult's best year to date in terms of order intake, sales, operating profit, earnings per share and cash flow from operating activities.

The Group's order intake totalled MSEK 4,113.4 (3,790.0). Adjusted for currency effects and acquisitions, order intake increased 5 per cent year-on-year. Net sales totalled MSEK 3,909.4 (3,735.8), which is a decrease of 1 per cent, adjusted for currency effects and acquisitions.

Operating profit posted a year-on-year increase of MSEK 17.3 to MSEK 396.0 (378.7).

Financial items amounted to a negative SEK 18.8 million (neg: 30.7). The improvement was mainly attributable to lower interest expenses, due to lower net debt and lower interest rates.

Earnings per share for 2015 were SEK 7.62 (6.90).

Our strong LED product offering has been a prime reason behind the Group's positive development. Sales of LED products increased during the year and accounted for approximately 60 per cent of the total sales for 2015. In the fourth quarter, LED products accounted for just over two-thirds of sales.

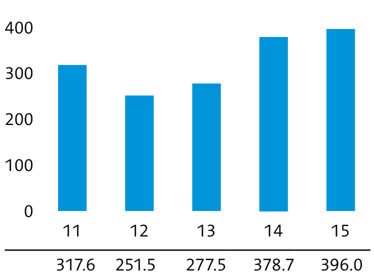
Sales for Indoor Lighting increased 1 per cent while Retail Lighting decreased 8 per cent and Outdoor Lighting increased 24 per cent, where all changes are adjusted for acquisitions and currency effects. The decrease in Retail Lighting is mainly due to two major non-recurring projects in 2014.

BUSINESS AREAS

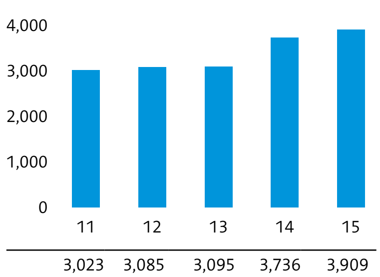
Fagerhult has chosen to divide its operations into four business areas based on geographical regions and one business area covering other activities:
– Northern Europe
– UK and Ireland
– Rest of Europe
– Africa, Asia and Australia
– Other

In accordance with IFRS 8, the external reporting has been adapted so that 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.

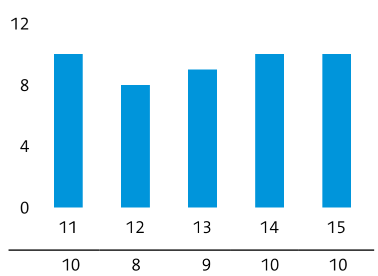
OPERATING PROFIT, MSEK



SALES, MSEK



OPERATING MARGIN, %



Northern Europe

The business area comprises the Group's operations 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. Development, manufacturing and sales are conducted in Sweden and Finland, while operations in other markets, with the exception of China, engage only in sales.

Net sales were MSEK 1,844.2, up from MSEK 1,848.8 last year. Adjusted for currency effects and acquired units, this level was unchanged compared with 2014. The operating profit for the period was MSEK 157.7 (165.9) and the operating margin 8.6 per cent (9.0). This decrease in operating profit was mainly an effect of negative currency effects as a result of a weaker Norwegian krona and stronger Chinese yuan.

UK and Ireland

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

Net sales in 2015 were MSEK 1,175.2 compared with MSEK 1,117.6 in 2014. Adjusted for currency effects, this represented a 5 per cent growth rate. This segment posted an extremely favourable trend with a growth despite a few very large projects of a non-recurring nature in the comparison period.

The operating profit for the period was MSEK 159.1 (139.2) and the operating margin 13.5 per cent (12.5). The improvement was due to higher sales combined with an improved gross margin.

Rest of Europe

This business area comprises the operations in Germany, the Netherlands, France, Spain, Austria and Poland. The dominant unit in the segment is LTS Licht & Leuchten in Germany, which develops, manufactures and sells lighting systems.

Cumulative net sales for the year were MSEK 770.3, up from MSEK 745.7 the year earlier. Excluding acquisitions and currency effects, sales were unchanged compared with 2014. The operating profit for the same period was MSEK 69.9 (62.2), which was attributable to a positive trend in Germany and Spain.

Africa, Asia and Australia

This business area comprises our operations in South Africa, Turkey, the United Arab Emirates, Australia and New Zealand. The company acquired during the period, Lighting Innovations, which is based in Port Elizabeth, South Africa, was also consolidated in the segment. The operations in Australia, South Africa and Turkey develop, manufacture and sell lighting systems while the operations in the UAE and New Zealand conduct sales.

Net sales for the period were MSEK 492.8, compared with MSEK 443.5 in the preceding year. Lighting Innovations, which has been consolidated as of the fourth quarter of 2015, contributed sales of MSEK 20 during the year.

Adjusted for currency effects and acquired units, sales dropped by 1 per cent, which was primarily attributable to the UAE.

The operating profit was MSEK 54.0 (55.2) and the operating margin 11.0 per cent (12.4).

Financial position

The Group's equity/assets ratio at the end of the quarter was 38 per cent (38). Cash and bank balances at year end amounted to MSEK 471.9 (353.1) and consolidated equity totalled MSEK 1,437.1 (1,329.2).

Net debt amounted to MSEK 937 (1,040).

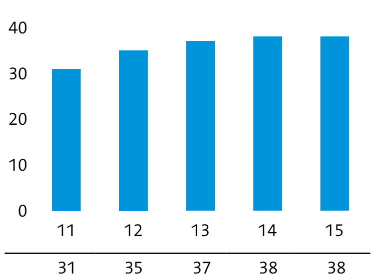
Cash flow from operating activities for the year totalled MSEK 443.5 (391.0). This increase of SEK 52.5 million was due to improved operating profit and better working capital performance. Tax paid increased due to strong earnings in 2014.

Pledged assets and contingent liabilities were MSEK 7.3 (7.3) and MSEK 2.2 (1.7), respectively.

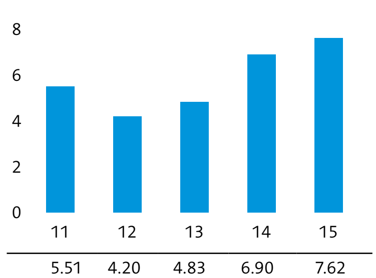
Employees

In 2015, the average number of employees increased by 81 to 2,451 (2,370). Adjusted for acquired units, the average number of employees increased by 34 people, or 1.5 per cent. The number of employees in the Group's foreign companies amounted to 1,704 (1,614), which corresponded to 70 per cent (68) of the total number of employees. The proportion of women during the year amounted to 32 per cent (32) of all employees. To strengthen the

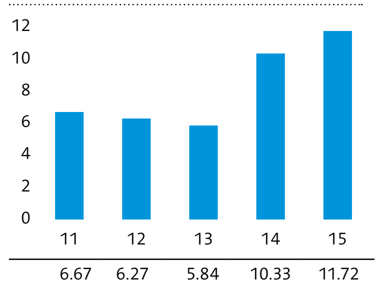
EQUITY/ASSETS RATIO, %



EARNINGS PER SHARE, SEK



CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK



Group's knowledge capital, the established goals for individual and organisational development have remained a prioritised issue.

The company's health care initiatives have focused on preventative measures and healthy living to reduce absence due to illness. For information on salaries and remuneration; refer to Note 2.

Guidelines for remuneration to senior management

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, company car benefits and pensions. Annual variable remuneration is based on achieved goals and is maximised at 30–50 per cent of the basic 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. The first scheme was in place between 2012 and 2015. The AGMs in 2013, 2014 and 2015 resolved to approve additional share-savings plans that each extended over three years.

For additional information; see Note 2.

Investments

The Group's gross investments in property, plant and equipment amounted to MSEK 88 (95), and primarily pertained to machinery and equipment.

Investments in subsidiaries amounted to SEK 93 million (304). At year end, current investments amounted to MSEK 15.

Gross investments in intangible assets amounted to MSEK 30 (15), excluding acquisitions of subsidiaries. Current investments amounted to MSEK 17.

Depreciation/amortisation for the year amounted to MSEK 107 (95), of which property, plant and equipment accounted for MSEK 88 (78).

Product development

Continuous product development is undertaken within the Fagerhult Group with the aim of improving existing products, as well as developing new products. A basic principle is that development efforts should be carried out close to the markets and in collaboration with customers and end-users. Fagerhult is also prominent within lighting technology from an international perspective. Collaboration with the leading manufacturers of light sources and components is essential. Fagerhult's engineering centre, Teknik Centrum, includes one of Northern Europe's best equipped laboratories, where we can test the safety of and approve our own products.

Development costs of MSEK 14 (12) were capitalised in the balance sheet for the year. Other costs are expensed as they arise. For additional information; see notes 10 and 25.

Environmental impact

With the technology shift towards LED and intelligent controls, Fagerhult is contributing to significant improvements in energy efficiency in our customers' lighting solutions. Investment in product development as part of the shift toward LED technology continues. The proportion of total sales accounted for by LED products increased during the year and, in the fourth quarter, this amounted to just over two thirds, compared with nearly half in the fourth quarter of 2014.

The Group's operations impact the external environment primarily through CO_2 emissions from our production facilities and from transportation. Continuous efforts are ongoing to reduce the Group's total environmental impact by using different initiatives. These efforts focus on reducing total energy consumption and increasing the share of renewable energy at our production plants. The Group's Swedish plants have extremely low emissions of CO_2 as they source their heat from district heating plants mainly fuelled by biomass and all electricity is hydroelectric. Initiatives to increase energy efficiency are ongoing at all facilities. The long-term aim is to achieve CO_2-neutral production. The Company's production facilities in Manchester and Sutton in the UK, Suzhou in China and Habo, Åhus and Bollebygd in Sweden are environmentally certified under ISO 14001.

Further information is provided in the Group's Sustainability Report.

Shares buybacks

The AGM on 21 April 2015 authorised the Board to buy back the company's own shares. No shares have been bought back. In connection with the allocation of shares tied to the Group's share-savings plan, treasury shares were used. The number of treasury shares totalled 686,949 (714,000) after allocation and the number of shares outstanding was 37,863,051. The percentage of shares held as treasury shares was 1.8 per cent.

The Board of Directors proposes that the AGM resolve to grant the Board continued authorisation, until the next AGM, to buy back the company's own shares. As treasury shares are not entitled 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 31.

The Fagerhult share

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

Appointment and removal of Board members

There are no separate provisions in the Articles of Association regarding the appointment or removal of Board members.

Parent Company

AB Fagerhult's operations comprise Group management, financing and the coordination of marketing, production and business development. The company's net sales amounted to MSEK 20.1 (16.4) for the period. Profit after financial items was MSEK 23.0 (112.3). The change was primarily attributable to reduced dividends from subsidiaries.

The number of employees during the period was seven (six).

Outlook for 2016

Over the past year, acquisitions and organic growth have led to a strong sales and earnings trend for the Group. By developing its brands and product portfolio, the Group has established a strong position in all of its main markets and increased its market share.

All of the Group's main markets have displayed stable growth and management expects the markets to continue to grow in 2016. Fagerhult is entering 2016 with a stronger order book than in the preceding year.

The Group intends to continue making significant investment in product development and marketing, as well as increased internationalisation. Management estimates that it is possible to continue strengthening the Group's market share.

Proposed appropriation of profits

The Group's retained earnings according to the consolidated balance sheet amount to MSEK 1,244.8 (1,067.1).

The following profits are at the disposal of the AGM (MSEK):

Profit brought forward	217.0
Net profit for the year	100.8
	MSEK 317.8

The total number of dividend-bearing shares on 7 March 2016 amounted to 37,863,051, excluding treasury shares. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders,	
SEK 3.50 per share	132.5
To be carried forward	185.3
	MSEK 317.8

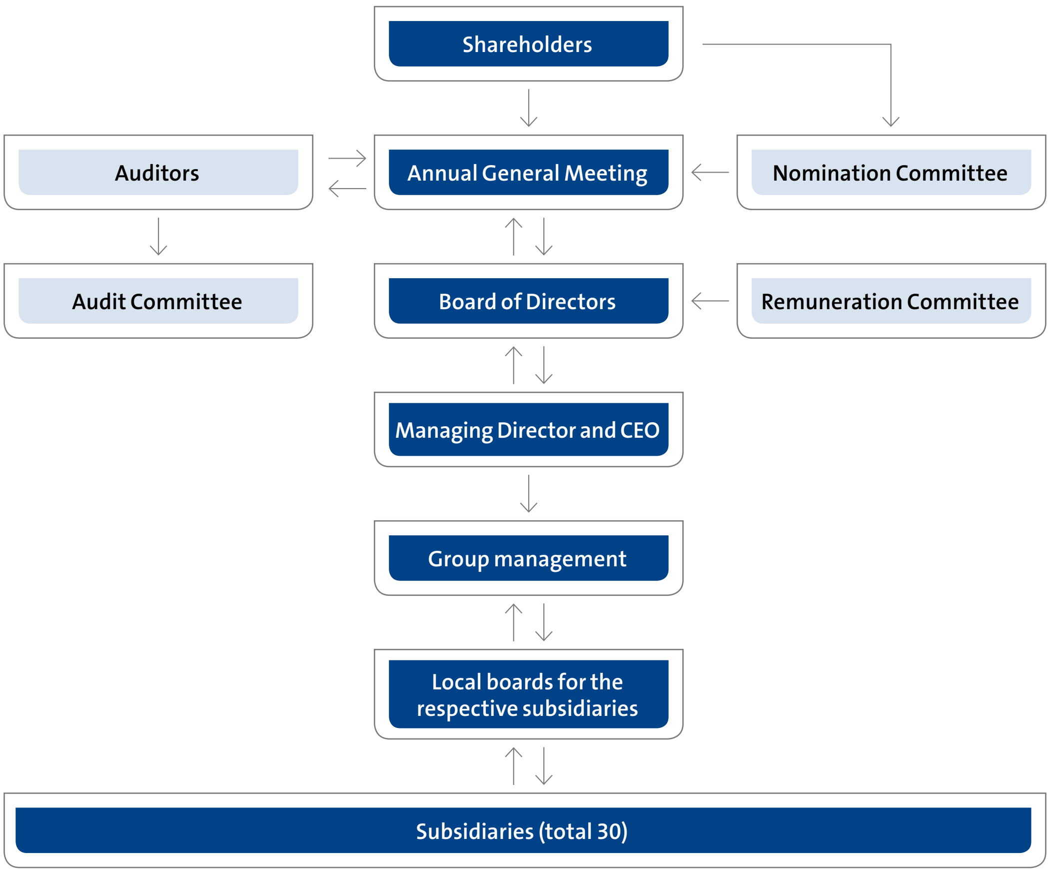
Board of Directors' statement regarding the proposed dividend

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 the necessary investments. Accordingly, the proposed dividend can be justified pursuant to 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.

CORPORATE GOVERNANCE

Decentralised governance and decision-making is one of Fagerhult's strengths, and permeates the entire organisation. The objective of corporate governance is to ensure that this is conducted in a clear, effective, reliable and business-oriented manner. Corporate governance is designed to support the company's long-term strategies, market presence and competitiveness. At the same time, it should help maintain confidence in Fagerhult among stakeholders, such as shareholders, customers, suppliers, capital markets, society and employees.



KEY EXTERNAL REGULATIONS

- Swedish Companies Act
- Nasdaq OMX Stockholm's Issuer Rules
- Swedish Corporate Governance Code (the Code)
- Accounting rules and regulations

KEY INTERNAL REGULATIONS

- Articles of Association
- Formal work plan for the Board of Directors and terms of reference for the CEO
- Guidelines for remuneration to senior management
- Various policy documents and instructions (such as the Group's Code of Conduct)

Shareholders and general meetings of shareholders

The shareholders' rights to decide on Fagerhult's affairs are exercised at the Annual General Meeting (AGM), or if appropriate, the extraordinary general meetings, which is the company's highest decision-making body. The AGM is to be held no later than six months after the end of the financial year and is usually held in April. At the AGM, the shareholders elect the company's Board of Directors and appoint external auditors, and decide on their fees. Furthermore, the AGM resolves on whether to adopt the income statements and balance sheets, to approve the appropriation of the company's profit and to discharge the Board and CEO from liability. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other senior management.

The number of shareholders at year end was 4,038. The largest individual shareholder is Investment AB Latour, in which the Douglas family are the main shareholders and hold a total of 49 per cent. For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the Fagerhult share on pages 40–41 and to Note 29.

2015 Annual General Meeting

The 2015 AGM was held on 21 April in Habo. A total of 80 shareholders were present at the meeting, representing 74.5 per cent of the votes. Minutes from the AGM can be found on Fagerhult's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

- Resolution on the distribution of a dividend of SEK 3.00 per share.
- Eric Douglas, Cecilia Fasth, Catherina Fored, Björn Karlsson, Fredrik Palmstierna, Johan Hjertonsson 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 AGM resolved to introduce a performance-based share-savings plan for senior management.
- The AGM resolved to grant the Board of Directors authorisation to buy back 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 AGM.

Nomination Committee

A Nomination Committee is formed each year at the initiative of the Chairman of the Board, and is subsequently appointed at the AGM. The Nomination Committee comprises the representatives of major shareholders in the company. The Nomination Committee for the 2016 AGM is described in the following table. The Chairman of the Board cannot serve as Chairman of the Nomination Committee. The Committee's representatives have broad and extensive experience of Board work and work on Nomination Committees.

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 AGM at which auditors are to be appointed, the Nomination Committee collaborates with the Audit Committee, which works with the evaluation of the work of the auditors. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. Shareholders have the opportunity to submit written proposals to the Nomination Committee.

External auditors

The company's auditor, elected at the AGM, examines Fagerhult's annual report and consolidated accounts, the administration of the company by the Board of Directors and the CEO, and the annual accounts of subsidiaries, and submits an audit report.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

At the 2015 AGM, Öhrlings PricewaterhouseCoopers were re-appointed as auditors, with Peter Nyllinge as the Auditor-in-Charge. Among his major auditing assignments, Peter Nyllinge also has Telefon-aktiebolaget LM Ericsson and SEB.

The auditor participated at the Board meeting in February 2016 and then reported on the notes from the 2015 audit.

Auditing of the Group's companies around the globe is coordinated by Öhrlings PricewaterhouseCoopers. All of the activities of companies with a significant scope of operations are audited by PricewaterhouseCoopers in the respective country. For a number of smaller companies, the audit is performed by other accounting firms.

The Nomination Committee ahead of 2016 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes:	Member of the Nomination Committee since
Gustaf Douglas (Chairman)	Investment AB Latour	48.9 %[1]	1997
Jan Svensson	Investment AB Latour	48.9 %	2008
Björn Karlsson	Familjen Svensson	7.5 %	1997
Eric Douglas	Investment AB Latour	48.9 %[1]	2015
Göran Espelund	Lannebo Fonder	7.0 %	2004

1) Holding through Investment AB Latour, where Gustaf Douglas with family and companies are the main owners.

THE BOARD OF DIRECTORS

Board members

The Board of Directors determines issues concerning the Group's strategic focus, 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 company management. The Board of Directors currently consists of seven members elected by the general meeting, as well as two Board members and two deputy members elected by the trade unions. Four (four) of the Board members represent ownership participations equivalent to 60 per cent (59) of the company's share capital and votes. The CEO is one of the members elected at the 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 Chief Financial Officer serves as the Board's secretary.

For further information concerning the Board members elected at the company's general meeting, refer to the section concerning the Board of Directors on pages 54–55 of this annual report.

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.

Among other things, the Board's work plan contains rules stipulating the number of Board meetings to be held each financial year, the issues to be addressed at the meetings, and the division of duties between the Board of Directors and the CEO. The CEO's terms of reference set out the CEO's duties and obligation to report to the Board.

Normally, five Board meetings are held each year and one statutory Board meeting. 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. One Board meeting per year is assigned additional time, and at this meeting a specific focus is placed on strategic issues. The auditor of the company is present at Board meetings whenever needed, normally once 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.

Board of Directors' independence

Fagerhult's Board meets the stipulation in the Code that a majority of the elected members are independent of the company and its management, and that at least two of the members are independent in relation to major shareholders (that is, ownership exceeding 10 per cent). See the table below. The Chairman of the Board, Jan Svensson, as well as Fredrik Palmstierna, are not considered independent, as they represent the company's main shareholder in their roles as CEO and Chairman of Investment AB Latour, respectively. Eric Douglas represents the Douglas family. With the exception of the President and CEO Johan Hjertonsson, no members of the Board are employed by the Group. The Nomination Committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal. The CEO owns 232,454 shares in the company, corresponding to 0.6 per cent of the shares, which is stated in the presentation of the Board and management on pages 54–57. The holding is not classified as significant and the CEO has no partnership in companies that have significant business relationships with companies in the Fagerhult Group.

The work of the Board in 2015

The Board met five times during the year, and held one statutory meeting. Apart from one meeting when two Board members were absent, all members of the Board were present at the other meetings. The company's auditor was present at one of the Board meetings. This was the Board meeting that addressed the annual accounts and, during which, the auditor submitted his findings.

Board of Directors elected by the AGM	Elected	Born	Fee	Number of shares /votes	Independent in relation to the owners	Independent in relation to the Company	Number of meetings participated in
Chairman, Jan Svensson	2007	1956	500,000	18,539,400[1]	No	Yes	5
Vice Chairman, Eric Douglas	1993	1968	375,000	120,000	No	Yes	5
Board Member, Cecilia Fasth	2014	1973	250,000	1,500	Yes	Yes	4
Board Member, Björn Karlsson	1997	1961	250,000	2,836,875[1]	Yes	Yes	4
Board Member, Catherina Fored	2013	1964	250,000	3,000	Yes	Yes	5
Board Member, Fredrik Palmstierna	1992	1946	250,000	1,006,200[1]	No	Yes	5
CEO, Johan Hjertonsson	2009	1968	–	232,454	Yes	No	5
Total			1,875,000	22,739,129 (60 %)	4 (57 %)	6 (86 %)	5

1) Sum total of directly and indirectly held shares and shares representing other owners.

Important matters dealt with during the year included, amongst other things:

– Long-term operational goals
– The strategic focus of the operations
– Business plans, financial plans and forecasts
– Major investments
– Decisions on long-term financing
– Policies and instructions
– Review of the Group's risk management
– Interim reports and annual accounts
– Reports by the Board's committees
– Follow-up of the external audit

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. Among other things, the process includes a questionnaire in which Board members have the opportunity to express their opinion of the Board's work and to propose ways to improve it. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods.

The Board continuously evaluates the work of the CEO and Group management.

The Audit Committee

The main duty 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 fees. Furthermore, the Committee is to assist the Nomination Committee in its choice of auditors and their fees prior to those AGMs at which the appointment of auditors takes place.

In 2015, the Audit Committee comprised the entire Board, with the exception of the CEO. Over the year, the Committee has had one meeting with the company's auditor. Except for two members, all Board members were present at the meeting.

The Remuneration Committee

The work of the Remuneration Committee is, on behalf of the Board, to prepare and negotiate issues concerning the salary and other remuneration to the CEO, and to approve the CEO's proposals for salaries and remuneration for the other members of senior management.

Its duties also include examining the fees to Board members in the event that they are engaged as consultants by the company's management. The Committee also addresses any Group-wide bonus system and option programmes.

Decisions concerning remuneration for the CEO are determined by the Board.

The Remuneration Committee consists of Jan Svensson (Chairman of the Board) and Eric Douglas (Vice Chairman of the Board). The Committee has had one meeting during the year, at which both members were present.

CEO and Group Management

Fagerhult's President and CEO is responsible for leading and developing operating activities pursuant to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board.

The CEO is assisted by Group management, consisting of the heads of business areas and staff units. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work and for the Board to make informed decisions. The CEO is responsible for bringing matters to the attention of the Board and for motivating proposed decisions. The CEO is responsible for and reports on an ongoing basis to the Board on the company's development. In addition, the CEO leads the work of the Group management and makes decisions in consultation with other members of management.

During the year, the Group management comprised the CEO, two managers with responsibility for the regional business areas, two managers with functional responsibility for marketing and product development, and production and logistics, the Group's CFO and the Head of Human Resources and Sustainable Development.

Group management has at least five meetings per year during which it follows up operations, discusses matters affecting the Group and drafts proposals for strategic plans and budgets, which the CEO presents to the Board for decision. One longer meeting per year is held, during which the operations are planned and discussed in more detail.

CODE OF CONDUCT

Our global presence demands that our employees and business partners take responsibility for themselves and for each other. Therefore, we have created a regulatory framework, our Code of Conduct.

Our Code of Conduct should be followed by everyone included in our Group, employees as well as the Board and Management. We also communicate our Code of Conduct to our business partners, with the expectation that it is complied with.

Our Code of Conduct states, amongst other things, that we will act as a reliable and honest Group that lives up to its commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

Management of subsidiaries

Fagerhult's operations are organised into four business areas. These include 30 subsidiaries. The operations of the respective subsidiaries are controlled by their Boards. The Boards of the subsidiaries consist of, among others, the managing director of the subsidiary, at least one business area manager and, in most cases, the Group's CEO. A formal work plan is established annually for each subsidiary, in which responsibilities and authorities are clearly delegated and where the work of the subsidiary's Board is governed.

Fagerhult has a decentralised structure, with a strong focus on responsibility and performance, which combines with clear, Group-wide processes to realise synergies. The Company's senior managers and specialists meet continuously to reach a broad consensus on important issues.

Fagerhult's Code of Conduct and Fagerhult's global presence demand that our employees and business partners take responsibility – for themselves and for each other. The Code clarifies Fagerhult's position on issues related to human rights, labour conditions, the environment, business ethics and communication. The Code applies to all Fagerhult employees regardless of their position. The Board and Group management have a particular responsibility to promote the application of the Code of Conduct. The Code is also communicated to all of Fagerhult's business partners with the expectation that it is complied with. Fagerhult acts as a reliable and honest Group that lives up to its commitments.

Fagerhult believes in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

The Code of Conduct is available in its entirety at:
http://www.fagerhultgroup.com/en/sustainability

REMUNERATION TO THE MANAGEMENT AND BOARD

Guidelines for remuneration

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, other benefits and pensions. The balance between basic salary and variable remuneration is to be in proportion to the employee's responsibilities and authority.

For the CEO, annual variable remuneration is capped at six months' salary. The variable salary is based on the Group's earnings per share. For other senior management, annual variable remuneration is capped at 30–40 per cent of basic salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for operating profit, the Group's earnings per share and the outcome of individual activity plans. These guidelines are also proposed for the coming year.

Long-term incentive scheme

In 2012, a long-term incentive scheme was introduced in the form of a performance-based share-savings plan for senior management. The first plan was approved by the 2012 AGM and runs from 2012 to 2015. The AGMs in 2013, 2014 and 2015 resolved to approve additional share-savings plans that each extended over three years.

For further information on guidelines for remuneration, please refer to the material enclosed with the notice of the AGM. For additional information; see Note 2.

Remuneration to the Board

Fees payable to Board members are determined annually by the AGM. Board members who are also employees of the company receive no Board fees. No separate fees are payable for work on the committees other than the standard Board fee. In 2015, remuneration was paid in accordance with the table on page 50.

Remuneration to the auditors

In 2015, remuneration was paid in accordance with Note 23 on page 82.

INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control aims to ensure accurate and reliable financial reporting and accounting in line with applicable laws and regulations, accounting standards and other requirements for listed companies.

Control environment

The control environment comprises the values and ethics which the Board of Directors, Audit Committee, the CEO and Group management communicate and operate under. The basis of internal control for financial reporting consists of the control environment together with the organisation, decision-making paths, authorities and responsibilities which are documented and communicated in governing documents. One example is the division of responsibilities between the Board and the CEO and instructions regarding the delegation of authority, as well as instructions applying to the accounting and reporting. Important internal control instruments include Fagerhult's Code of Conduct and values. The Code includes principles governing how business is to be conducted. These values represent a long-term commitment and a shared base connected to the business concept and strategies guiding employees in daily operations.

Fagerhult is characterised by a decentralised organisation based on goal-oriented management, where good performances are rewarded.

Financial reporting to the Board

The CEO is responsible for ensuring that the Board receives the reports required for its ongoing assessment of the company's and the Group's financial positions. Fagerhult's Board receives monthly financial reports and the Group's financial situation is addressed at each Board meeting.

Risk assessment

Regarding financial risk assessment, the risks are assessed as mainly relating to the potential for material misstatement in the reporting of the company's financial position and performance. To minimise these risks, governing documents have been established for accounting, for procedures for annual reporting and for follow-up of reported annual accounts. A shared system for reporting annual accounts has also been implemented. Fagerhult's Board regularly assesses reporting from a risk perspective. As a support for these assessments, profit/loss items and balance-sheet items are compared with previous reports as well as budgets and forecasts. The risks identified in the financial reporting are managed through the Group's control structure.

In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting Fagerhult's business from an operational and financial perspective. Read more about risks on page 84.

Control activities and follow-up

Control activities involve all levels of the organisation and concern the measures selected to manage the Group's risks. To ensure completeness and accuracy in the financial reporting, instructions and guidelines are in place that have been communicated to the relevant personnel. The activities also limit risk from the identified risks. The Group's central control function analyses and monitors budget deviations, prepares forecasts, monitors significant variations between periods, and reports these to others within the organisation, thereby minimising the risk of errors in the reporting. Control activities also include follow-up and comparisons of earnings trends or significant individual items, account reconciliations and balances, and the approval of all proxy and attestation instructions, as well as accounting and valuation principles.

Monitoring of the effectiveness and compliance with these control activities takes place through programmed controls and through individually established procedures. The Group has a shared reporting system in which all reporting is carried out. Financial follow-up is carried out by Group management in conjunction with regular visits to the subsidiaries, in parallel with development of the control function.

Information and communication

Fagerhult continuously provides information about the Group's performance and financial position to the market. The quality of external financial reporting is ensured through various activities and procedures. The CEO is responsible for the accuracy and high quality of all information provided, for example, financial press releases and presentation materials for various meetings with the media, shareholders and investors. An information policy applies for external communication that provides guidelines to the presentation of such information. The policy is intended to ensure that Fagerhult's information requirements are met in an accurate and complete manner. The most important governing documents, in the form of policies and instructions, are kept up-to-date and are communicated via the appropriate channels, mainly electronically.

Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities. Fagerhult's whistleblower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Evaluation of the need for a separate audit function

The Board and management have determined that a separate internal audit function will not be established in the Fagerhult Group. The Group's Finance department continually monitors compliance with the company's governance model, reporting principles and policies. In addition, the Finance department conducts ongoing analyses of the company's reporting and financial results to gain assurance regarding the trend.

Together with the controls implemented by the Group's management and the different business areas' existing control functions, discussions with the company's external auditors concerning the audit approach, as well as the auditing firm's extensive organisation are assessed as providing a satisfactory level of assurance. This means that a separate internal audit function is not considered necessary.

Activities in 2015

During the year, focus has been on integrating the recently acquired companies Lighting Innovations, I-Valo and Arlight in the Group's internal control and on inventory valuation and inventory control linked to the shift to LED technology.

During the year, the Group's policy for internal control of the Group companies was updated. Based on the COSO framework, a minimum level for internal control has been defined in the form of guidelines for the controls to be implemented at all Group companies – the Fagerhult Minimum Control Requirements. The follow-up of internal control pursuant to these guidelines will become an integrated part of Group governance.











JAN SVENSSON

Chairman
Born: 1956
Mechanical Engineer and M.Sc. in Business Administration. Managing Director and Board Member of Investment AB Latour. Chairman of Oxeon AB, Nederman Holding AB and Tomra Systems ASA. Board Member of Loomis AB, Assa Abloy AB and Troax Nordic AB.
Board Member of Fagerhult since 2007.
Shares in AB Fagerhult: 18,539,400 (incl. Investment AB Latour)

ERIC DOUGLAS

Vice Chairman
Born: 1968
Certified Economist at high school level and 3 years of studies at Lund University within "Economics for Entrepreneurs".
Self-employed since 1992.
Chairman of the Board of Pod Investment AB and Sparbössan Fastigheter AB. Board Member of, amongst others, Investment AB Latour.
Board Member of Fagerhult since 1993.
Shares in AB Fagerhult: 120,000

CECILIA FASTH

Born: 1973
M.Sc. Engineering
CEO of Eklandia Fastighets AB (Castellum publ.)
Board Member of Fagerhult since 2014.
Shares in AB Fagerhult: 1,500

BJÖRN KARLSSON

Born: 1961
MBA.
Managing Director of Vasterhuset AB.
Board member of Krafthagen AB.
Board Member of Fagerhult since 1997.
Shares in AB Fagerhult: 1,721,322 (incl. family and companies)

CATHERINA FORED

Born: 1964
Architect MSA.
Head of Urban Planning and Development Sundbyberg.
Board Member of Brunnberg & Forshed Arkitektkontor and Reomti Bygg AB.
Board Member of Fagerhult since 2013.
Shares in AB Fagerhult: 3,000

FREDRIK PALMSTIERNA

Born: 1946
MBA.
Chairman of Investment AB Latour.
Board Member of Securitas AB, Hultafors AB, Nobia AB and The Viktor Rydbergs Schools Foundation.
Board Member of Fagerhult since 1992.
Shares in AB Fagerhult: 1,005,000 (incl. family and companies)

JOHAN HJERTONSSON

Managing Director and CEO of AB Fagerhult
Born: 1968
M.Sc. in Business Administration
Board member of Nord-Lock International AB and Sweco AB.
Board Member of Fagerhult since 2009.
Shares in AB Fagerhult: 232,454

MAGNUS NELL

Born: 1964
Employee Representative
Shares in AB Fagerhult: 0

LARS-ÅKE JOHANSSON

Born: 1961
Employee Representative
Shares in AB Fagerhult: 0

BEATRICE SJÖBLOM

Born: 1984
Deputy Employee Representative
Shares in AB Fagerhult: 0

PATRIK ARALDSSON

Born: 1984
Deputy Employee Representative
Shares in AB Fagerhult: 0







JOHAN HJERTONSSON

Managing Director and CEO of AB Fagerhult
Born: 1968
M.Sc. in Business Administration
Employed since: 2009
Shares in Fagerhult: 232,454

ELISABETH BACK

Head of Products & Brands
Born: 1963
M.Sc. in Business Administration
Employed since: 2010
Shares in Fagerhult: 9,567

ANDERS FRANSSON

Head of Operations
Born: 1969
M.Sc. Engineering
Employed since: 2005
Shares in Fagerhult: 2,554

HÅKAN GABRIELSSON

Chief Financial Officer (until 20 March 2016)
Born: 1967
M.Sc. in Business Administration
Employed since: 2011
Shares in Fagerhult: 3,085

PAUL BARTON

Regional Manager
Born: 1953
Engineer and Economic studies
Employed since: 2005
Shares in Fagerhult: 5,701

FRANK AUGUSTSSON

Regional Manager
Born: 1965
Technical College Graduate
Employed since: 1986–2001, 2004
Shares in Fagerhult: 4,525

JENNY EVELIUS

Head of Human Resources
Born: 1969
M.Sc. in Business Administration
Employed since: 2013
Shares in Fagerhult: 2,572

MICHAEL WOOD

Chief Financial Officer (from 21 March 2016)
Born: 1964
Chartered Accountant ACMA
Employed since: 2005
Shares in Fagerhult: 0

INCOME STATEMENTS

MSEK	Note	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Net sales	1	3,909.4	3,735.8	20.1	16.4
Cost of goods sold		–2,612.4	–2,524.4	–	–
Gross profit		**1,297.0**	**1,211.4**	**20.1**	**16.4**
Selling expenses		–678.0	–636.5	–2.9	–4.3
Administrative expenses		–245.9	–219.7	–48.8	–41.9
Other operating income		22.9	23.5	–	–
Operating profit	**2, 7, 19-26**	**396.0**	**378.7**	**–31.6**	**–29.8**
Financial income and expenses					
Income from shares in subsidiaries	6	–	–	49.5	146.5
Interest income and similar profit/loss items	3	4.9	2.5	27.5	32.5
Interest expenses and similar profit/loss items	4	–23.7	–33.2	–22.4	–36.9
Total financial items		–18.8	–30.7	54.6	142.1
Profit after financial items		**377.2**	**348.0**	**23.0**	**112.3**
Change in tax allocation reserve		–	–	–	21.4
Group contributions received		–	–	95.0	120.0
Tax on profit for the year	8, 9	–88.6	–86.8	–17.2	–24.0
Net profit for the year		**288.6**	**261.2**	**100.8**	**229.7**
Net profit for the year attributable to shareholders of the Parent Company		288.6	261.2		
Earnings per share, based on earnings attributable to shareholders of the Parent Company during the year:					
Earnings per share before dilution, SEK		7.62	6.90		
Earnings per share after dilution, SEK		7.62	6.90		
Average number of shares outstanding before dilution, thousands		37,856	37,836		
Average number of shares outstanding after dilution, thousands		37,856	37,836		
Number of shares outstanding, thousands		37,863	37,836		

STATEMENT OF COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

	Note	GROUP 2015	GROUP 2014
Net profit for the year		288.6	261.2
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of pension plans		–	2.9
Items that may be reclassified to profit or loss:			
Translation differences	31	–69.8	123.8
Other comprehensive income for the period, net after tax		**–69.8**	**126.7**
Total comprehensive income for the year		**218.8**	**387.9**
Total comprehensive income attributable to shareholders of the Parent Company		**218.8**	**387.9**

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

BALANCE SHEETS

		GROUP		PARENT COMPANY	
MSEK	**Note**	**2015**	**2014**	**2015**	**2014**
ASSETS					
Non-current assets					
Intangible assets	10				
Goodwill		1,257.8	1,267.9	–	–
Brands		154.5	150.6	–	–
Other intangible assets		35.9	22.8	–	–
Construction in progress and advance payments		17.5	6.0	–	–
		1,465.7	**1,447.3**	**–**	**–**
Property, plant and equipment	11				
Land and buildings		96.4	100.6	–	–
Plant and machinery		193.0	188.4	–	–
Equipment, fixtures and fittings		88.4	78.8	–	–
Construction in progress and advance payments		14.6	19.2	–	–
		392.4	**387.0**	**–**	**–**
Financial assets					
Shares and participations in subsidiaries	13,27	–	–	616.3	616.3
Other shares and participations	12	9.2	9.2	–	–
Receivables from subsidiaries		–	–	1,458.5	1,412.3
Deferred tax assets	9	23.5	14.8	–	–
Other non-current receivables	12	2.7	2.2	–	–
		35.4	**26.2**	**2,074.8**	**2,028.6**
Total non-current assets		**1,893.5**	**1,860.5**	**2,074.8**	**2,028.6**
Current assets					
Inventories, etc.					
Raw materials and consumables		240.0	235.3	–	–
Work in progress		35.4	33.7	–	–
Finished products and goods for resale		295.8	282.1	–	–
Advance payments to suppliers		31.1	23.2	–	–
		602.3	**574.3**	**–**	**–**
Current receivables					
Trade receivables	5	678.5	676.4	–	–
Current tax assets		9.6	8.8	–	–
Other receivables		38.1	17.6	15.6	–
Receivables from subsidiaries		–	–	23.7	11.2
Prepaid expenses and accrued income	14	45.5	41.0	5.3	3.4
		771.7	**743.8**	**44.6**	**14.6**
Cash and cash equivalents/Cash and bank balances		*471.9*	*353.1*	*49.8*	*23.7*
Total current assets		**1,845.9**	**1,671.2**	**94.4**	**38.3**
TOTAL ASSETS		**3,739.4**	**3,531.7**	**2,169.2**	**2,066.9**

BALANCE SHEETS

		GROUP		PARENT COMPANY	
MSEK	**Note**	**2015**	**2014**	**2015**	**2014**
EQUITY (Group/Parent Company[1])					
Capital and reserves attributable to shareholders of the Parent Company					
Share capital	28	65.5	65.5	65.5	65.5
Other contributed capital		159.4	159.4	–	–
Translation differences/Statutory reserve		–32.6	37.2	159.4	159.4
Retained earnings incl./excl. net profit for the year		1,244.8	1,067.1	217.0	100.0
Net profit for the year, Parent Company		–	–	100.8	229.7
		1,437.1	**1,329.2**	**542.7**	**554.6**
Untaxed reserves					
Transfer to tax allocation reserve		–	–	8.6	8.6
LIABILITIES					
Non-current liabilities					
Borrowings	15	1,340.9	1,267.1	1,321.1	1,246.7
Provisions for pensions and similar commitments	19	66.4	65.9	–	–
Other provisions	27	53.3	36.5	–	–
Liabilities to subsidiaries		–	–	1.7	1.7
Deferred tax liability	9	63.0	65.0	–	–
		1,523.6	**1,434.5**	**1,322.8**	**1,248.4**
Current liabilities					
Borrowings	15	1.3	60.4	–	59.5
Advance payments from customers		25.7	8.9	–	–
Trade payables		297.4	288.6	–	–
Current tax liabilities		53.3	53.7	21.7	24.3
Other liabilities		87.0	73.1	0.4	0.4
Liabilities to subsidiaries		–	–	253.0	154.2
Accrued expenses and deferred income	16	314.0	283.3	20.0	16.9
		778.7	**768.0**	**295.1**	**255.3**
Total liabilities		**2,302.3**	**2,202.5**	**1,617.9**	**1,503.7**
TOTAL EQUITY AND LIABILITIES		**3,739.4**	**3,531.7**	**2,169.2**	**2,066.9**
Pledged assets	17	–	–	None	None
Contingent liabilities	18	–	–	60.6	62.4

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

CHANGES IN EQUITY

GROUP	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 year				261.2	261.2
Other comprehensive income	–	–	123.8	2.9	126.7
Comprehensive income for the period	–	–	123.8	264.1	387.9
Performance-based share-savings plan	–	–	–	2.9	2.9
Dividend, SEK 2.42 per share	–	–	–	–91.4	–91.4
Equity at 31 December 2014	**65.5**	**159.4**	**37.2**	**1,067.1**	**1,329.2**
Net profit for the year	–	–	–	288.6	288.6
Other comprehensive income	–	–	–69.8	–	–69.8
Comprehensive income for the period	–	–	–69.8	288.6	218.8
Performance-based share-savings plan	–	–	–	2.6	2.6
Dividend, SEK 3.00 per share	–	–	–	–113.5	–113.5
Equity at 31 December 2015	**65.5**	**159.4**	**–32.6**	**1,244.8**	**1,437.1**

Parent Company	Share capital		Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2014	**65.5**	**–**	**159.4**	**188.5**	**413.4**
Performance-based share-savings plan	–	–	–	2.9	2.9
Net profit for the year	–	–	–	229.7	229.7
Dividend, SEK 2.42 per share	–	–	–	–91.4	–91.4
Equity at 31 December 2014	**65.5**	**–**	**159.4**	**329.7**	**554.6**
Performance-based share-savings plan	–	–	–	0.8	0.8
Net profit for the year	–	–	–	100.8	100.8
Dividend, SEK 3.00 per share	–	–	–	–113.5	–113.5
Equity at 31 December 2015	**65.5**	**–**	**159.4**	**317.8**	**542.7**

CASH-FLOW STATEMENTS

		GROUP		PARENT COMPANY	
MSEK	Note	2015	2014	2015	2014
Net profit for the year		**288.6**	**261.2**	**100.8**	**229.7**
Tax	8,9	88.6	86.8	17.2	24.0
Change in untaxed reserves		–	–	–	–21.4
Group contributions received		–	–	–95.0	–120.0
Income from shares in subsidiaries	6	–	–	–49.5	–146.5
Interest income and similar profit/loss items	3	–4.9	–2.5	–27.5	–32.5
Interest expenses and similar profit/loss items	4	23.7	33.2	22.4	36.9
Operating profit		**396.0**	**378.7**	**–31.6**	**–29.8**
Adjustments for non-cash items:					
Depreciation/amortisation		107.3	95.1	–	–
Profit/loss on the sale of property, plant and equipment		3.0	0.7	–	–
Items in equity		2.6	5.8	0.8	2.9
Exchange-rate differences		13.8	12.6	2.6	26.0
		522.7	**492.9**	**–28.2**	**–0.9**
Interest received		2.1	2.4	24.7	32.3
Interest paid		–24.6	–32.3	–22.2	–29.6
Income tax paid		–94.8	–60.9	–19.8	–6.2
Cash flow from operating activities before changes in working capital		**405.4**	**402.1**	**–45.5**	**–4.4**
Changes in working capital					
Changes in inventories		–3.3	–32.8	–	–
Changes in receivables		–14.2	–32.2	–30.0	–11.0
Changes in current liabilities		55.6	53.9	101.9	48.6
Cash flow from operating activities		**443.5**	**391.0**	**26.4**	**33.2**
Investing activities					
Investments in subsidiaries and associated companies		–93.4	–303.6	–	–
Investments in intangible assets		–29.8	–15.3	–	–
Investments in property, plant and equipment		–88.1	–94.9	–	–
Changes in construction in progress and advance payments	11	–6.9	–12.7	–	–
Increase in non-current receivables	12	–0.4	–1.8	–46.2	–516.5
Group contributions and dividends received		–	–	144.5	266.5
Cash flow from investing activities		**–218.6**	**–428.3**	**98.3**	**–250.0**
Financing activities					
Repayment of loans	15	–1,326.3	–57.4	–1,306.2	–57.4
Borrowings	15	1,337.3	268.2	1,321.1	266.4
Dividends paid		–113.5	–91.4	–113.5	–91.4
Cash flow from financing activities		**–102.5**	**119.4**	**–98.6**	**117.6**
Change in cash and cash equivalents		**122.4**	**82.1**	**26.1**	**–99.2**
Cash and cash equivalents at beginning of the year		353.1	248.6	23.7	122.9
Translation differences in cash and cash equivalents		–3.6	22.4	–	–
Cash, cash equivalents at end of the year		**471.9**	**353.1**	**49.8**	**23.7**

ACCOUNTING POLICIES

The limited liability company's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, the Annual Accounts Act and the Financial Reporting Board's recommendation RFR1.

The Parent Company applies the same accounting policies as the Group, except in the instances stated below in the section Parent Company's Accounting Policies. The deviations arising between the Parent Company's and the Group's accounting policies result from limitations in the possibility of applying IFRS in the Parent Company primarily due to the stipulations of the Annual Accounts Act. The policies applied are unchanged compared with the preceding year.

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

CONSOLIDATED ACCOUNTS

Subsidiaries

The consolidated accounts include subsidiaries over which the Group has control, that is the right to determine the financial and operating policies, in a manner that generally derives from a shareholding of more than one half of the voting rights.

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

The Group applies the acquisition method to recognise the Group's business combinations. The acquisition price paid for a subsidiary is the fair values of the assets transferred, the liabilities incurred and the shares issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 whether all non-controlling interests in the acquired company are recognized at fair value or at the proportionate share of the acquired company's net assets. The amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's 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 profit or loss.

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

TRANSLATION OF FOREIGN CURRENCIES

Functional currency 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 accounts 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 transaction dates. Foreign exchange-rate differences attributable to operating activities are recognised in operating profit, while exchange-rate differences attributable to the Group's financing are recognised under financial income and expenses. Exceptions to this include hedging transactions that meet the requirements for the hedge accounting of cash flows or net investments, for which exchange-rate differences are recognised in equity.

Subsidiaries

The results and financial position of all subsidiaries (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the closing rate of exchange,
- income and expenses for each income statement are translated at the respective average exchange rate (unless the 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 transaction-date rates), and
- all resulting exchange-rate 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 for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax.

The measurement of all income tax liabilities and assets is performed at nominal amounts, applying the tax rates and provisions that have been enacted, or substantially enacted, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

In the case of items recognised in profit or loss, related tax effects are also recognised in profit or loss. The tax effects of items that are recognised directly in equity are also recognised directly in equity.

Deferred 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 tax assets pertaining to future tax deductions are recognised to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are not recognised in the consolidated accounts as the Parent 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.

The reporting of deferred tax is based on effective tax rates.

INVENTORIES

Inventories are reported using the first-in, first-out method at the lower of cost and net realisable value on the closing date.

The valuation of work in progress and finished products includes design costs, direct labour costs and other direct costs with 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 any applicable variable selling expenses.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade and other receivables are recognised at cost, less any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Significant financial difficulties on the part of the debtor, the probability that the debtor will enter into receivership or undergo financial reconstruction and default or late payments are considered indicators that an impairment provision for trade receivables may be required. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced using an impairment allowance account and the loss is recognised in profit or loss under Selling expenses. Recoveries of amounts previously written off are credited against Selling expenses in profit or loss.

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. Inter-company sales are eliminated in the consolidated accounts.

Other operating income

Revenue from activities outside the Group's primary operations has been recognised as Other operating income.

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 payment has been determined.

INTERNAL TRANSFER PRICING

The pricing of transactions such as intra-Group purchases and sales of goods and services, uses market terms.

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 the lease term (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis.

BORROWING COSTS

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

CASH-FLOW STATEMENT AND CASH AND CASH EQUIVALENTS

The cash-flow statement has been prepared using the indirect method. The recognised cash flow includes only those transactions that have resulted in receipts or payments. Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2015 and 2014, cash and cash equivalents were comprised solely of cash and bank balances.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise, primarily, factories and offices. All property, plant and equipment (PPEs) are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenses are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is likely that future economic benefits associated with the asset will accrue to the Group, and when the asset's cost can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they arise.

No depreciation is reported for land. Depreciation on other assets is calculated using the straight-line method to allocate their cost down to their residual values over their estimated useful lives, 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 and IT systems	5 years
Computers and tools	3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each closing date.

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

INTANGIBLE ASSETS

Research and development

Expenses arising from development projects (attributable to the development of new luminaires) are reported in the Group as intangible assets when it is likely that the project will be successful, in terms of its commercial and technical possibilities, and when the expenses can be reliably measured. Other development expenses are expensed as they arise. Development expenses previously recognised as an expense are not capitalised as assets in subsequent periods.

Capitalised development expenditure with a limited useful life is amortised 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 Cost of goods sold. Capitalised development expenditure is included under the item Other intangible assets.

Goodwill

Goodwill consists of the amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually to identify any need for impairment and is recognised at cost less accumulated impairment. The gain or loss on the sale of an entity includes the remaining carrying amount for goodwill pertaining to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) when testing for any impairment requirement. This allocation is made to the CGUs that are expected to benefit from the business combination giving rise to the goodwill item. The Fagerhult Group allocates goodwill to all lines of business.

Brands

This item mainly includes assets in the form of brands, which have arisen on the acquisition of subsidiaries. These are valued at the fair value on the acquisition date and, thereafter, less amortisation and impairment. Brands are amortised over their estimated useful lives or, in cases where the brand has an indefinite useful life, an annual impairment test is carried out.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets which have an indefinite useful life are not subject to amortisation and, instead, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In those cases in which the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately impaired down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows CGUs.

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the categories Financial assets at fair value through profit and loss, Available-for-sale financial assets and Loans receivable and Accounts receivable. The classification depends on the purpose for which the financial assets were acquired. Company management determines the classification of financial assets at initial recognition and, thereafter, re-examines the decision at each reporting occasion.

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

Loans receivable and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. These characteristically arise 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 closing date, which are classified as non-current assets. Loans receivable and accounts receivable are included in the items Other non-current receivables, Trade receivables and Other receivables in the balance sheet. Loans receivable and Accounts receivable are initially reported at fair value and, thereafter, at amortised cost on the basis of the effective interest method. Where necessary, provisions have been made for impairment.

Financial liabilities are initially valued at fair value, net after transaction costs, and thereafter, at amortised cost. The category Financial liabilities includes the items Borrowings, Trade payables, 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 profit or loss. Financial assets at fair value through profit or loss are initially valued at fair value, while applicable transaction costs are recognised in profit or loss. Financial instruments are derecognised when the rights to receive cash flows from the instruments have expired or been transferred, and the Group has substantially transferred all of the risks and rewards associated with ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are recognised after the acquisition date at fair value. Realised and unrealised gains and losses resulting from changes in fair value attributable to the category Financial assets at fair value through profit or loss are included in the income statement in the period during which they arise.

The Group makes an assessment at each closing date as to whether objective evidence exists of an impairment requirement for a financial asset or group of financial assets.

Derivative instruments are recognised in the balance sheet on the contract date at fair value, both initially and after subsequent re-valuations. Derivative instruments are not used for hedge accounting. Changes in fair value are, therefore, recognised immediately in profit or loss under Operating profit.

EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are recognised, net after tax, in equity, as a deduction from the proceeds of the issue. In the case of a repurchase of shares, retained earnings is reduced by the amount paid for the shares. When treasury shares are sold, retained earnings increases by the amount received.

EMPLOYEE BENEFITS

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' service during current or previous periods impact the Group's earnings.

In defined-benefit plans, benefits to employees and former employees are based on the employee's salary at the retirement date and on the number of years of service. The Group is liable for payment of the benefits.

The liability recognised in the balance sheet pertaining to defined-benefit plans is the present value of the defined-benefit commitments at the closing date and is adjusted for unrecognised actuarial gains/losses for service during previous periods. The defined-benefit commitments are calculated yearly by an independent actuary, applying the projected unit credit method. This method allocates pension costs in pace with the employees' execution of services for the company, which increases their right to future remuneration. The company's commitments 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 assumptions are stated in Note 19.

Actuarial gains and losses may arise on determination of the present value of the commitments. These can arise from actual outcomes deviating from earlier assumptions or from changed assumptions. These items are then reported in Other comprehensive income in the period in which they arise. Service costs for previous periods are recognised directly in profit or loss.

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 fall due. Prepaid premiums are recognised as assets to the extent that cash repayment or a decrease in future payments may benefit the Group.

Share-based payments

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

Termination benefits

Termination benefits are payable when an employee's employment is terminated prior to the normal pensionable age or when an employee voluntarily accepts termination of employment in exchange for such benefits. The Group reports severance pay when there is a demonstrable obligation to terminate the employment according to a detailed, formal plan with no possibility of reinstatement, or when it is required to provide termination benefits as a result of an offer to encourage employees to leave service voluntarily. Benefits falling due more than 12 months after the closing date are discounted to present value.

PROVISIONS

Provisions for restructuring costs and statutory requirements are recognised when the Group has a legal or informal obligation to do so as a result of previous events, when it is more likely that an outflow of resources will be required to settle the obligation rather than not be required, and when the amount can be reliably calculated.

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 of obligations.

A provision is recognised even if the probability of an outflow for a separate 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 shares outstanding before and after dilution.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments. The Group has identified this function as the CEO who makes the strategic decisions.

Expenses attributable to a particular segment are comprised of both direct expenses and a portion of Group-wide expenses. Unspecified expenses represent Group-wide expenses. The operating segments' assets consist mainly of intangible assets, property, plant and equipment, inventories and trade receivables. Segment liabilities consist mainly of trade payables, and accrual and deferral items.

DIVIDENDS

Dividends to AB Fagerhult's shareholders are recognised as liabilities in the consolidated financial statements in the period in which the dividends were adopted by the Parent Company's shareholders.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. RFR 2 stipulates that, in its annual accounts, the Parent Company is to apply International Financial Reporting Standards (IFRS) as endorsed by the EU, where this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the connection between accounting and taxation. RFR 2 specifies the exceptions and supplements to be applied in relation to IFRS. Identified differences between accounting policies of the Group and the Parent Company mainly refer to IAS 12 Income taxes. The amounts transferred to untaxed reserves constitute taxable temporary differences. Due to the connection 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. Appropriations are recognised at gross value in profit or loss.

Group contributions are recognised as appropriations.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The preparation of the annual accounts requires that qualified estimates and assessments be made for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Estimates and assessments can affect the income statement and the balance sheet, as well as any additional information which has been reported in the annual accounts. Consequently, changes in valuations and assessments can lead to changes in the annual accounts.

Impairment tests for goodwill

For the Group, it has been determined that the estimates and assessments made in connection with impairment testing of goodwill are of significance for the consolidated accounts. Each year, the Group conducts tests to determine whether any impairment requirement exists for carrying amounts. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations are based on certain assumptions regarding the future which, for the Group, are associated with a risk of material adjustments of carrying amounts during the forthcoming financial year. Significant assumptions and the effects of reasonable changes of such are stated in Note 10.

If the estimated cost of capital applied in determining the pre-tax discount rate for the cash-generating units had been 2 per cent higher (for example 12 per cent instead of 10 per cent) than the management's assessment, this would still not have resulted in any impairment requirement.

APPLICATION OF NEW OR AMENDED STANDARDS

Changes in accounting policies and disclosures
New and amended standards applied by the Group
The following standards have been applied by the Group for the first time for the financial year beginning on 1 January 2015 and have a material impact on the consolidated financial statements:

The implementation of *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities* have only had an impact in terms of supplementary disclosures.

Other standards, amendments and interpretations that come into effect for financial years beginning 1 January 2015 have no material impact on the consolidated financial statements.

New standards, amendments and interpretations of existing standards that have not been early-adopted by the Group.
New standards and interpretations that have not yet been adopted by the Group.
A number of new standards and interpretations come into effect for financial years starting after 1 January 2015, and have not been applied in the preparation of these financial statements. None of these standards or interpretations are expected to have any material impact on the consolidated financial statements, with the exception of the following:

IFRS 9 Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of IFRS 9 was published in July 2014. IFRS 9 replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. The standard is to be applied to financial years beginning 1 January 2018. Early adoption is permitted. The Group has yet to assess the impact of implementing the standard.

IFRS 15 Revenue from Contracts with Customers governs how revenue recognition is carried out. The principles on which IFRS 15 is based aim to provide users of financial statements with useful information about a company's revenue. The expanded disclosure requirement means providing information about the revenue's nature, timing of settlement, uncertainty in revenue recognition and cash flows arising from the company's contracts with customers. Under IFRS 15, revenue is recognised when control is passed to the customer of an asset or service and the customer is able to use and obtain the benefits from the asset or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related SICs and IFRICs. IFRS 15 comes in to effect on 1 January 2018. Early adoption is permitted. The Group has yet to assess the impact of implementing the standard.

IFRS 16 Leases. In January 2016, the IASB published a new standard for leases that will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. This standard requires assets and liabilities attributable to all leases, with a few exceptions, to be recognised in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time an obligation to pay for this right. Recognition for the lessor will essentially be unchanged. The standard is to be applied to financial years beginning on or after 1 January 2019. Early adoption is permitted. The EU has not yet adopted the standard. The Group has yet to assess the impact of IFRS 16.

NOTES

Note 1 | Segment reporting

	Northern Europe		UK and Ireland		Rest of Europe		Africa. Asia and Australia		Other		Eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales and income														
Net sales	1,844.2	1,848.8	1,175.2	1,117.6	770.3	745.7	492.8	443.5			–373.1	–419.8	3,909.4	3,735.8
(of which internal sales)	*(282.1)*	*(363.3)*	*(36.7)*	*(38.2)*	*(21.7)*	*(16.5)*	*(32.6)*	*(1.8)*			*–(373.1)*	*–(419.8)*	*(0.0)*	*(0.0)*
Operating profit by line of business	157.7	165.9	159.1	139.2	69.9	62.2	54.0	55.2	–44.7	–43.8			396.0	378.7
Unclassified costs													0.0	0.0
Operating profit													**396.0**	**378.7**
Financial income													4.9	2.5
Financial expenses													–23.7	–33.2
Tax expenses for the year													–88.6	–86.8
Net profit for the year													**288.6**	**261.2**
Other disclosures														
Non-current assets	414.6	416.2	437.0	417.8	581.9	607.6	454.4	409.8					1,887.9	1,851.4
Other assets	875.3	848.9	450.5	435.1	273.0	276.6	291.8	256.6	85.8	38.3	–140.7	–192.1	1,835.7	1,663.4
Unclassified assets													15.8	16.9
Total assets													**3,739.4**	**3,531.7**
Liabilities	415.8	424.5	260.9	240.9	168.8	187.8	148.9	73.3	24.0	17.4	–229.2	–157.6	789.2	786.3
Unclassified liabilities													1,513.1	1,416.2
Total liabilities													**2,302.3**	**2,202.5**
Investments	55.9	44.3	37.6	42.5	14.7	18.8	9.7	4.6					117.9	110.2
Depreciation/amortisation	60.2	58.6	24.9	17.5	13.7	12.0	8.5	7.0					107.3	95.1
External sales per market														
Sweden	865.4	802.2			4.4	3.5							869.8	805.7
UK	4.7	0.8	1,110.4	1,059.8	7.1	12.8							1,122.2	1,073.4
Germany	22.8	17.6	9.4	7.6	302.3	285.1	0.5	0.7					335.0	311.0
Norway	213.4	231.5				0.8							213.4	232.3
Australia		0.1			6.2	9.7	228.2	204.2					234.4	214.0
Finland	143.6	157.4											143.6	157.4
The Netherlands	2.8	1.4		0.5	125.5	135.0	2.5	2.5					130.8	139.4
Denmark	124.6	115.8				0.1							124.6	115.9
Turkey					0.8		118.8	111.6					119.6	111.6
United Arab Emirates		0.2			7.6	11.9	68.7	81.3					76.3	93.4
Spain	0.3	0.2			95.5	88.7		0.1					95.8	89.0
Russia	79.7	88.4					0.3						80.0	88.4
France	13.3	11.7		0.1	53.2	70.7							66.5	82.5
Poland	13.6	3.9	0.2	0.4	39.7	33.9		0.1					53.5	38.3
Other	77.9	54.3	18.5	11.0	106.3	77.0	41.2	41.2					243.9	183.5
Total	**1,562.1**	**1,485.5**	**1,138.5**	**1,079.4**	**748.6**	**729.2**	**460.2**	**441.7**					**3,909.4**	**3,735.8**
Non-current assets per market														
Sweden	283.5	278.1											283.5	278.1
UK			426.8	406.9									426.8	406.9
Germany					523.3	568.1							523.3	568.1
Turkey							281.1	303.3					281.1	303.3
Australia							91.8	89.1					91.8	89.1
Finland	79.4	85.0											79.4	85.0
China	10.0	14.7											10.0	14.7
Other	41.7	38.4	10.2	10.9	58.6	39.5	81.5	17.4					192.0	106.2
Total	**414.6**	**416.2**	**437.0**	**417.8**	**581.9**	**607.6**	**454.4**	**409.8**					**1,887.9**	**1,851.4**

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

- **Northern Europe.** The business area comprises the Group's operations 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, operations comprise development, manufacturing and sales activities, while operations in other markets, with the exception of China, refer only to sales. Other units engage in sales activities.
- **UK and Ireland.** The business area comprises our companies in the UK and Ireland. Whitecroft Lighting and Designplan Lighting develop, manufacture and sell lighting systems. Other units engage in sales activities.
- **Rest of Europe.** This business area includes operations in Germany, the Netherlands, France, Spain, Poland and Slovakia. The dominant unit in the segment is LTS Licht & Leuchten GmbH in Germany, which develops, manufactures and sells lighting systems. Other units engage in sales activities.
- **Africa, Asia and Australia.** The business area comprises the operations in Turkey, the United Arab Emirates (UAE) and Australia. The company acquired during the year, Lighting Innovations of South Africa, is also included in this segment. The Australian, Turkish and South African operations develop, manufacture and sell lighting systems while the operations in the UAE refer to sales.
- **Other.** This business area is mainly comprised of the Parent Company and certain Group-wide functions.

Information per product area

	SALES	
	2015	**2014**
Indoor Lighting	2,656.2	2,504.0
Retail Lighting	965.6	1,003.7
Outdoor Lighting	287.6	228.1
Total	**3,909.4**	**3,735.8**

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

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

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

Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Parent Company	16.3	13.9	10.6	11.0	(3.6)	(6.0)
Subsidiaries	925.2	860.4	229.0	213.6	(49.6)	(45.1)
Group	**941.5**	**874.3**	**239.6**	**224.6**	**(53.2)**	**(51.1)**

Salaries and other remuneration to Board members, the CEO and senior management

	2015			2014		
	Salaries and other remuneration	(of which variable remuneration)	Pension expenses	Salaries and other remuneration	(of which variable remuneration)	Pension expenses
Parent Company, 10 (10) employees	14.3	(2.9)	2.8	13.1	(3.5)	2.6
Subsidiaries, 26 (25) employees	40.2	(5.5)	3.5	36.2	(6.3)	3.1
Group	**54.5**	**(8.4)**	**6.3**	**49.3**	**(9.8)**	**5.7**

Remuneration to senior management during the year:

	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension expenses	Share-based payments	Total
Parent Company						
Chairman of the Board, Jan Svensson	0.5	–	–	–	–	0.5
Board Member, Eric Douglas	0.4	–	–	–	–	0.4
Board Member, Cecilia Fasth	0.2	–	–	–	–	0.2
Board Member, Björn Karlsson	0.2	–	–	–	–	0.2
Board Member, Catherina Fored	0.2	–	–	–	–	0.2
Board Member, Fredrik Palmstierna	0.2	–	–	–	–	0.2
President and CEO	4.1	1.7	0.1	1.4	0.6	7.9
Other senior management (3 individuals)	4.5	1.2	0.3	1.4	0.5	7.9
	10.3	**2.9**	**0.4**	**2.8**	**1.1**	**17.5**
Subsidiaries						
Other senior management (3 individuals)	5.7	1.5	0.1	0.8	0.7	8.8
Group	**16.0**	**4.4**	**0.5**	**3.6**	**1.8**	**26.3**

Remuneration to the Board of Directors was determined at the 2015 AGM. 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 Board fees in accordance with the resolutions of the AGM. 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 approved by the Remuneration Committee following proposals from the CEO.

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

For the CEO, annual variable remuneration 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-based share-savings plan described below.

For other senior management, annual variable remuneration is capped at 30–40 per cent of basic salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for operating profit, 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. Defined-contribution pension insurance corresponding to 35 per cent of the fixed annual salary is paid for the CEO. Pension benefits for other senior management are paid within the framework of applicable supplementary pension plans (ITP) for salaried employees.

Severance Pay
For the CEO, the notice period for termination of employment is six months if termination is initiated by the company and six 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 months' salary. Severance pay is deducted against other earned income.

For other senior management, the notice period is 12 months if initiated by the Company, and six months if initiated by the employee. No separate agreements exist regarding retirement age, future pension or severance pay to Board members and other senior management.

Performance-based share-savings plan
The Company's 2012 AGM resolved to implement a performance-based share-savings plan for the CEO, senior management and a number of key employees within the Group. Additional performance-based share-savings plans were then approved by the AGMs in 2013, 2014 and 2015. In the first plan, a total of 27 people were offered the opportunity to participate, of which 25 accepted. In the second plan, 29 people were offered the opportunity to participate, of which 20 accepted. In the third plan, 34 people were offered the opportunity to participate, of which 31 accepted. In the fourth plan, 33 people were offered the opportunity to participate, of which 9 accepted.

Participation in the plan 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.

In order for the share awards to be eligible for the allotment of shares, participants are required to remain in employment within the Group and to retain their entire investment in Fagerhult shares acquired within the framework of the plan during the vesting period. Some of the allocated share awards (known as performance share awards) also require meeting a financial performance target related to Fagerhult's average earnings per share. For the plan approved by the 2015 AGM, all share awards are so-called performance share awards, meaning that they are conditional on a financial performance target.

The 2012 plan was concluded in 2015. The conditions for the performance share awards pertaining to average earnings per share for 2012–2013 were not fulfilled. Participants were allocated 27,051 shares, compared with the maximum allocation of 99,717 shares.

For the remaining three plans, in accordance with the conditions for the plans, the remaining participants have acquired a total of around 53,167 shares in Fagerhult. A total of approximately 170,000 share awards have been allocated to plan participants, of which 37,270 to the CEO and 43,122 to other senior management.

For the 2013 plan, the financial performance target pertains to average earnings per share for the 2013 to 2014 financial years, while the financial performance target for the 2014 plan pertains to average earnings per share for the 2014 to 2015 financial years and the financial performance target for the 2015 plan pertains to average earnings per share for the 2015 to 2016 financial years. For the 2013 and 2014 plans, the financial performance target was fully achieved.

Accordingly, a maximum of about 170,000 Fagerhult shares can be allocated under the terms of the three remaining plans. The valuation of the allocated share awards is based on the market price of the share at the time of allotment, with a deduction for the lack of dividend.

The total cost in 2015 for all share-savings plans was MSEK 5.2 (5.4).

Note 3 | Interest income and similar profit/loss items

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Interest income	2.1	2.4	24.7	32.3
Exchange-rate gains	2.8	0.1	2.8	0.2
Total	**4.9**	**2.5**	**27.5**	**32.5**

Note 4 | Interest expenses and similar profit/loss items

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Interest expenses	20.4	30.2	19.0	27.2
Exchange-rate losses	–	0.3	0.2	7.3
Other financial expenses	3.3	2.7	3.2	2.4
Total	**23.7**	**33.2**	**22.4**	**36.9**
Of which Group companies			0.6	0.6

Note 5 | Trade receivables

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Maturity analysis of trade receivables outstanding				
Trade receivables, not yet due	491.2	497.1	–	–
Past-due trade receivables with no need for impairment:				
< 3 months	165.9	162.6	–	–
3–12 months	11.0	12.7	–	–
> 12 months	10.4	4.0	–	–
	187.3	179.3	–	–
Past-due trade receivables requiring impairment:				
< 3 months	0.4	3.0	–	–
3–12 months	8.7	18.2	–	–
> 12 months	14.4	5.3	–	–
	23.5	26.5	–	–
Provision for doubtful receivables	–23.5	–26.5	–	–
Carrying amount	**678.5**	**676.4**	**–**	**–**
Change in provision for doubtful receivables				
Opening provision	–26.5	–9.4	–	–
Acquisitions of subsidiaries	–0.1	–12.2	–	–
Confirmed losses	4.9	0.6	–	–
Reversed, unutilised provisions	2.5	0.4	–	–
Provision for the year	–6.6	–4.3	–	–
Translation differences	2.3	–1.6	–	–
Closing provision	**–23.5**	**–26.5**	**–**	**–**

Note 6 | Income from shares in subsidiaries

	PARENT COMPANY	
	2015	**2014**
Dividends received	49.5	146.5
Total	**49.5**	**146.5**

Note 7 | Depreciation/amortisation and impairment

Amortisation of intangible assets in the Group was MSEK 19.2 (17.1) and depreciation of property, plant and equipment totalled MSEK 88.1 (78.0). Impairment amounted to MSEK 0.0 (0.0). Depreciation/amortisation and impairment are specified per function in the income statements as follows:

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Brands				
Cost of goods sold	3.5	3.1	–	–
Total	**3.5**	**3.1**	**–**	**–**
Other intangible assets				
Cost of goods sold	14.7	12.6	–	–
Selling expenses	0.3	0.4	–	–
Administrative expenses	0.7	1.0	–	–
Total	**15.7**	**14.0**	**–**	**–**
Land and buildings				
Cost of goods sold	4.3	4.6	–	–
Selling expenses	1.1	1.3	–	–
Administrative expenses	1.7	0.7	–	–
Total	**7.1**	**6.6**	**–**	**–**
Plant and machinery				
Cost of goods sold	51.3	48.2	–	–
Total	**51.3**	**48.2**	**–**	**–**
Equipment, fixtures and fittings				
Cost of goods sold	17.2	9.7	–	–
Selling expenses	5.4	7.3	–	–
Administrative expenses	7.1	6.2	–	–
Total	**29.7**	**23.2**	**–**	**–**

Note 8 | Tax on profit for the year

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Current tax	97.8	95.8	17.2	24.0
Deferred tax	–9.2	–9.0	–	–
Total	**88.6**	**86.8**	**17.2**	**24.0**
Difference between the Group's tax expense and the tax expense based on current rates				
Reported profit before tax	377.2	348.0	118.0	253.7
Tax according to current tax rates	83.0	76.6	26.0	55.8
Tax effect of non-deductible expenses	6.7	2.2	2.2	0.4
Tax effect of non-taxable income	–1.7	–1.6	–11.0	–32.2
Effect of foreign tax rates	0.6	9.6	–	–
Tax on profit for the year recognised in profit or loss	**88.6**	**86.8**	**17.2**	**24.0**

Note 9 | Deferred tax

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Deferred tax expense/income for the year				
Deferred tax income referring to temporary differences	–11.3	–13.8	–	–
Deferred tax expense referring to temporary differences	2.1	4.8	–	–
Total	**–9.2**	**–9.0**	**–**	**–**
Temporary differences				
Temporary differences referring to the following items have resulted in deferred tax liabilities and deferred tax assets. These items have indefinite useful lives.				
Deferred tax liabilities				
Surplus in acquired subsidiaries	39.7	42.3	–	–
Other intangible assets	3.0	3.2	–	–
Buildings	1.3	1.2	–	–
Machinery and equipment	3.8	1.3	–	–
Current receivables	0.1	0.2	–	–
Untaxed reserves	13.3	14.8	–	–
Non-current liabilities	1.8	1.6	–	–
Current liabilities	–	0.4	–	–
Total deferred tax liabilities	**63.0**	**65.0**	**–**	**–**
Deferred tax assets				
Machinery and equipment	0.3	0.6	–	–
Other financial assets	0.2	0.1	–	–
Inventories	3.4	3.1	–	–
Current receivables	2.5	1.0	–	–
Pension provisions	3.8	3.5	–	–
Non-current liabilities	4.6	–	–	–
Current liabilities	8.7	6.5	–	–
Total deferred tax assets	**23.5**	**14.8**	**–**	**–**
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised, as a sale would not result in taxation.	894.4	774.6	–	–

Note 10 | Intangible assets

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Goodwill				
Opening cost	1,267.9	914.9	–	–
Acquisitions of subsidiaries	59.6	248.7	–	–
Translation differences	–69.7	104.3	–	–
Closing accumulated cost	1,257.8	1,267.9	–	–
Opening impairment	0.0	0.0	–	–
Sales and disposals	–	–	–	–
Closing accumulated impairment	0.0	0.0	–	–
Carrying amount	**1,257.8**	**1,267.9**	**–**	**–**
Brands				
Opening cost	181.5	135.4	–	–
Acquisitions of subsidiaries	16.3	28.3	–	–
Translation differences	–8.4	17.8	–	–
Closing accumulated cost	189.4	181.5	–	–
Opening amortisation	–30.9	–24.5	–	–
Amortisation for the year	–3.5	–3.1	–	–
Translation differences	–0.5	–3.3	–	–
Closing accumulated amortisation	–34.9	–30.9	–	–
Carrying amount	**154.5**	**150.6**	**–**	**–**
Other intangible assets				
Opening cost	133.5	113.9	–	–
Acquisitions of subsidiaries	–	1.7	–	–
Purchases	29.8	15.3	–	–
Translation differences	–2.8	2.6	–	–
Closing accumulated cost	160.5	133.5	–	–
Opening amortisation	–110.7	–93.6	–	–
Acquisitions of subsidiaries	–	–1.4	–	–
Amortisation for the year	–15.7	–14.0	–	–
Translation differences	1.8	–1.7	–	–
Closing accumulated amortisation	–124.6	–110.7	–	–
Carrying amount	**35.9**	**22.8**	**–**	**–**

The item Brands includes brands with book values of MSEK 120.0 (114.1) and indefinite useful lives. These assets are subject to annual impairment testing. The item Other intangible assets includes capitalised expenditure for product development which is internally generated, at a carrying amount of MSEK 13.5 (11.7).

Construction in progress and advance payments				
Opening cost	6.0	1.7	–	–
Land improvements during the year	12.3	6.1	–	–
Reclassifications	–0.7	–1.9	–	–
Translation differences	–0.1	0.1	–	–
Carrying amount	**17.5**	**6.0**	**–**	**–**

Impairment testing of goodwill and brands with indefinite useful lives
Goodwill and brands (with indefinite useful lives) are distributed among the Group's cash-generating units (CGUs) and identified per segment as follows.

	GROUP	
	2015	**2014**
Northern Europe	148.3	151.4
UK and Ireland	284.0	279.1
Rest of Europe	542.0	565.4
Africa, Asia and Australia	403.5	386.1
Total	**1,377.8**	**1,382.0**

Each year, the Group performs a test for each CGU to assess whether any need for impairment exists for goodwill and brands in line with the applied accounting policies. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future payments expected to arise from an asset during its useful life, including the calculated residual value at the end of the asset's 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 (2) has been applied. The cash-flow method has been applied.

Management has designated a budgeted operating margin based on the previous results and on expectations of future market development. The discount rate after tax which has been applied is 10 per cent (10). At present, the risk-free interest rate is historically low. After taking into account the risk-free interest rate and stock market risk premiums, the discount rate has not been lowered compared with the year earlier. It is estimated that the discount rate will apply for all segments as the circumstances are, at the moment, similar.

Significant assumptions
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 used to extrapolate cash flows beyond the budget period was 2 per cent (2).

Expenses
The forecast of personnel costs is based on the expected inflation rate, increases in real salary (historical average) and the planned streamlining of the company's production. The forecast is in line 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.

Variables applied
Discount rate before tax of 10.0 per cent (10).

Exchange rates:
NOK 1.06 (1.10)
EUR 9.37 (9.00)
GBP 12.87 (11.30)

Sensitivity analysis
The recoverable amount exceeds the carrying amounts for goodwill by a significant margin. This also applies to each individual assumption provided that:
– the discount rate before taxes was 12 per cent (12)
– the estimated growth rate used to extrapolate cash flows beyond the budget period was 0 per cent (0).

The most sensitive assumptions are the sales growth and cost trend. A change of these assumptions by 1 per cent would not entail any impairment.

Note 11 | Property, plant and equipment

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Land and buildings				
Opening cost	206.5	183.9	–	–
Purchases	4.9	18.5	–	–
Sales and disposals	–8.2	–	–	–
Reclassifications	–3.7	–	–	–
Translation differences	–0.1	4.1	–	–
Closing accumulated cost	199.4	206.5	–	–
Opening depreciation	–105.9	–97.5	–	–
Depreciation for the year	–7.1	–6.6	–	–
Sales and disposals	8.2	–	–	–
Reclassifications	1.9	–	–	–
Translation differences	–0.1	–1.8	–	–
Closing accumulated depreciation	–103.0	–105.9	–	–
Carrying amount	**96.4**	**100.6**	**–**	**–**
of which land	3.8	3.8	–	–
Plant and machinery				
Opening cost	781.8	679.1	–	–
Acquisitions of subsidiaries	17.3	26.8	–	–
Purchases	44.5	52.8	–	–
Sales and disposals	–10.8	–11.7	–	–
Reclassifications	–0.9	–	–	–
Translation differences	–7.7	34.8	–	–
Closing accumulated cost	824.2	781.8	–	–
Opening depreciation	–593.4	–516.2	–	–
Acquisitions of subsidiaries	–	–17.0	–	–
Depreciation for the year	–51.3	–48.2	–	–
Sales and disposals	8.9	11.7	–	–
Reclassifications	–0.1	–	–	–
Translation differences	4.7	–23.7	–	–
Closing accumulated depreciation	–631.2	–593.4	–	–
Carrying amount	**193.0**	**188.4**	**–**	**–**
Equipment, fixtures and fittings				
Opening cost	353.0	322.6	–	–
Acquisitions of subsidiaries	0.9	5.2	–	–
Purchases	38.7	23.6	–	–
Sales and disposals	–37.2	–17.2	–	–
Reclassifications	4.7	–	–	–
Translation differences	–5.5	18.8	–	–
Closing accumulated cost	354.6	353.0	–	–
Opening depreciation	–274.2	–249.7	–	–
Acquisitions of subsidiaries	–	–5.0	–	–
Depreciation for the year	–29.7	–23.2	–	–
Sales and disposals	35.8	16.5	–	–
Reclassifications	–1.9	–	–	–
Translation differences	3.8	–12.8	–	–
Closing accumulated depreciation	–266.2	–274.2	–	–
Carrying amount	**88.4**	**78.8**	**–**	**–**

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Construction in progress and advance payments				
Opening cost	19.2	10.8	–	–
Acquisitions of subsidiaries	0.2	–	–	–
Land improvements during the year	10.3	17.4	–	–
Reclassifications	–14.9	–9.2	–	–
Translation differences	–0.2	0.2	–	–
Carrying amount	**14.6**	**19.2**	**–**	**–**

Note 12 | Financial assets

	PARENT COMPANY	
	2015	2014
Shares and participations in subsidiaries		
Opening cost	616.3	616.3
Carrying amount	**616.3**	**616.3**
Receivables from subsidiaries		
Opening receivables	1,412.3	895.8
Change during the year	46.2	516.5
Closing receivables	**1,458.5**	**1,412.3**

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Other shares and participations				
Opening cost	9.2	9.2	–	–
Closing receivables	**9.2**	**9.2**	**–**	**–**
Other non-current receivables				
Opening receivables	2.2	0.5	–	–
New receivables	0.5	1.7	–	–
Closing receivables	**2.7**	**2.2**	**–**	**–**

The fair values of the Group's financial assets correspond with their carrying amounts.

Note 13 | Shares and participations in subsidiaries

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices.

	Corporate Identity Number	Registered offices	No. of shares	Carrying amount
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
Atelje Lyktan AB	556063-9634	Åhus	2,000	4.4
Fagerhult Belysning AS, Norway	937418906	Oslo	100	0.5
Fagerhult AS, Denmark	63.128	Ishöj	65	2.1
Fagerhult OY, Finland	0980280-0	Helsinki	6,000	0.1
I-Valo OY, Finland	1571418-8	Iittala	2,020	83.9
Fagerhult Oü, Estonia	10703636	Tallin	5,400	1.6
Fagerhult BV, the Netherlands	96121	IJsselstein	2,250	10.3

	Corporate Identity Number	Registered offices	No. of shares	Carrying amount
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
Arlight Aydinlatma A.S., Turkey	790 361 767	Kazan/Ankara	50,000	318.4
Lighting Innovations (pty) Ltd, South Africa	FN 305989	Port Elizabeth	1	16.5
Fagerhult s.r.o, Slovakia	47168293	Bratislava	1	0.4
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	3.6
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6
Fagerhult Lighting Ltd, UK	3488638	London	40,000	0.5
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	5.6
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	
	2015	2014	2015	2014
Prepaid rent	16.0	11.5	–	–
Insurance	5.1	4.1	–	–
Licences	2.6	1.0	–	–
Consultancy fees	1.6	3.0	1.1	1.7
Supplier bonus	1.0	8.5	–	–
Advertising and marketing	3.1	0.8	–	–
Taxes and social security contributions	2.5	2.4	0.2	0.1
Financial items	3.3	1.8	3.3	1.4
Non-invoiced income	3.7	1.1	–	–
Other items	6.6	6.8	0.7	0.2
Total	**45.5**	**41.0**	**5.3**	**3.4**

Note 15 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facilities at year end amounted to MSEK 144.1 (144.3) for the Group and MSEK 140.0 (140.0) for the Parent Company. During the year, the Group renegotiated its financing; refer also to Note 31 on page 84.

The Group's interest-bearing borrowings

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Maturities for long-term loans:				
Within one year	1.3	60.4	–	59.5
Between one and five years	1,040.9	1,267.1	1,021.1	1,246.7
After five years	300.0	–	300.0	–
Total	**1,342.2**	**1,327.5**	**1,321.1**	**1,306.2**

Contracted interest rates on the closing date had contractual periods of three months.

	2015		2014	
	Interest. %	Liability. SEK	Interest. %	Liability. SEK
Average interest expense on borrowings:				
Long-term borrowings, SEK	0.9	300.0	1.6	420.6
Long-term borrowings, EUR	0.6	899.8	1.5	711.8
Long-term borrowings, GBP	1.6	141.1	1.9	134.7
Total		**1,340.9**		**1,267.1**
Short-term borrowings, EUR	1.4	1.3	1.4	49.5
Short-term borrowings, GBP		–	1.9	10.9
Total		**1.3**		**60.4**

The carrying amount of the Group's borrowings corresponds with fair value, as the loans carry floating interest rates that are market-based.

Note 16 | Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Accrued salaries and remuneration	119.4	126.0	5.1	6.4
Customer bonuses	52.6	41.0	–	–
Accrued social security contributions	39.4	37.8	6.2	5.7
Claims	13.8	10.7	–	–
Financial items	19.1	9.2	7.9	3.2
Consultancy fees	6.3	7.3	0.8	1.0
Rent	15.0	7.3	–	–
Royalties	12.4	6.2	–	–
Audit fees	2.8	3.0	–	–
Shipping	2.7	2.9	–	–
Repair and maintenance	1.3	2.6	–	–
Temporary employees	1.4	1.7	–	–
Other items	27.8	27.6	–	0.6
Total	**314.0**	**283.3**	**20.0**	**16.9**

Note 17 | Pledged assets

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
For own liabilities				
Floating charges	4.3	4.3	–	–
Real estate mortgages	3.0	3.0	–	–
Total pledged assets	**7.3**	**7.3**	**–**	**–**

Note 18 | Contingent liabilities

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Guarantee FPG	0.9	0.9	–	–
Guarantees, customs authorities	1.3	0.8	–	–
Guarantees for subsidiaries	–	–	60.6	62.4
Total pledged contingent liabilities	**2.2**	**1.7**	**60.6**	**62.4**

Note 19 | Provisions for pensions and similar commitments

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Provisions for pensions PRI (interest-bearing)	63.6	62.5	–	–
Provisions for other pensions	2.8	3.4	–	–
Total	**66.4**	**65.9**	**–**	**–**

Defined-benefit plans
Within the Group there are defined-benefit plans in Sweden and Turkey, whereby employees have the right to remuneration, after termination of employment, based on final salary and length of service. The Group does not have any plan assets.

Pension insurance with Alecta
ITP2 Plan commitments for retirement pensions and family pensions for salaried employees in Sweden are guaranteed through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, Classification of ITP plans financed by insurance in Alecta, this is a defined-benefit multi-employer plan. For the 2015 financial year, the company did not have access to information that would enable it to report its proportional share of the plan's obligations, plan assets and costs, which means the plan could not be reported as a defined-benefit plan. The ITP 2 pension plan which is secured through insurance with Alecta is, therefore, reported as a defined-contribution plan. Premiums for defined-benefit retirement and family pensions are calculated individually and depend, inter alia, on the insured party's salary, previously earned pension rights and remaining length of service. Expected fees for the next reporting period for ITP 2 insurance with Alecta amount to MSEK 16.6 (2014: MSEK 16.2). The Group's share of the total contributions to the plan is negligible. The collective funding ratio is the market value of Alecta assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, actions must be taken to create the conditions enabling the consolidation level to revert to the normal interval. For low consolidation levels, one measure could be raising the contractual premiums for taking up new insurance and expanding existing benefits. With a high level consolidation, one measure could be to implement premium reductions. At the end of 2015, Alecta's surplus in the form of the collective funding ratio amounted to 153 per cent (2014: 144 per cent).

	GROUP	
	2015	2014
Defined-benefit plans		
The amounts recognised in the consolidated income statement are:		
Current service cost	–	1.0
Interest expenses	1.7	2.2
Total	**1.7**	**3.2**
Specification of changes in net debt recognised in the consolidated balance sheet:		
Net debt at beginning of year recognised in the approved balance sheet	65.9	61.5
Acquisitions of subsidiaries	–	6.4
Net cost recognised in profit or loss	1.7	3.2
Benefit payments	–2.4	–2.1
Settlement of pension plan	0.1	–0.2
Actuarial gains (-)/losses (+)	1.1	–2.9
Net debt at year end	**66.4**	**65.9**
The amounts recognised in the balance sheet are determined as follows:		
Present value of commitments	66.4	65.9
Net debt at year end	**66.4**	**65.9**
Total pension costs		
Total pension costs recognised in the consolidated income statement:		
Total costs for defined-benefit plans	1.7	3.2
Total costs for defined-contribution plans	51.5	47.9
Total pension costs	**53.2**	**51.1**
Pension costs are allocated in the consolidated income statement among the following items:		
Cost of goods sold	17.3	15.6
Selling expenses	24.7	22.1
Administrative expenses	9.5	11.2
Financial expenses	1.7	2.2
Total	**53.2**	**51.1**
Actuarial assumptions		
Significant actuarial assumptions as of the closing date (expressed as weighted averages)		
Discount rate	2.75%	3.00%
Future annual pension growth rate	1.50%	1.50%

Assumptions regarding future life expectancy are based on public statistics.

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

The Parent Company's total income from operations of MSEK 20.1 (16.4) 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

	2015		2014	
	Number employees	Men %	Number employees	Men %
Parent Company	**7**	**57**	**6**	**50**
Subsidiaries				
Sweden	740	64	750	63
Norway	42	74	40	73
Denmark	26	65	26	62
Finland	72	61	75	64
Estonia	7	57	5	60
The Netherlands	29	79	33	79
Germany	256	78	262	81
Turkey	156	81	146	86
UK	649	73	636	73
France	24	58	24	54
Belgium	9	78	11	82
Spain	32	91	27	93
Poland	16	81	15	80
Russia	26	38	30	47
Ireland	4	75	5	80
South Africa	37	71	0	0
Slovakia	6	50	5	40
Australia	125	66	110	65
New Zealand	4	75	3	67
United Arab Emirates	23	74	14	79
China	161	39	147	41
Total in subsidiaries	**2,444**	**68**	**2,364**	**67**
Group total	**2,451**	**68**	**2,370**	**67**

Board members and senior management	2015		2014	
	Number employees	Men %	Number employees	Men %
Group				
Board members	6	67	6	67
CEO and other senior management	30	80	29	80
Parent Company				
Board members	6	67	6	67
CEO and other senior management	4	50	4	50

Note 22 | Operational leasing agreements

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Leasing fees for the year	66.7	63.1	0.3	0.3
The nominal value of future minimum leasing fees for non-cancellable leasing agreements				
Within one year	75.1	61.7	–	0.3
Between one and five years	178.2	149.5	–	0.3
After five years	248.0	219.8	–	–
Total	**501.3**	**431.0**	**–**	**–**

In the consolidated accounts, operating leases essentially comprise leased properties/premises. Of the leasing fees for the year and future leasing fees, properties/premises accounted for MSEK 501.8 (426.3).

Note 23 | Remuneration to auditors

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Audit	3.6	3.7	0.3	0.3
Audit activities other than audit assignment	2.4	2.0	–	–
Tax consulting	1.3	1.1	0.6	0.3
Total	**7.3**	**6.8**	**0.9**	**0.6**

Note 24 | Expenses by nature

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Raw materials and consumables	1,620.6	1,591.7	–	–
Changes in inventories of finished products and goods for resale, and work in progress	–20.1	–52.9	–	–
Expenses for employee benefits (Notes 2 and 19)	1,179.6	1,098.9	25.4	24.9
Transportation expenses	89.9	93.0	–	–
Expenditure for own properties and rented premises	90.7	87.6	0.9	0.9
Advertising and selling expenses	59.0	65.4		
External services	65.7	63.2	13.0	8.3
Consumables	38.7	35.9	0.2	0.2
Temporary employees	34.6	44.5	–	–
Depreciation/amortisation and impairment (Notes 7, 10 and 11)	107.3	95.1	–	–
Other costs	270.3	258.2	12.2	11.9
Total	**3,536.3**	**3,380.6**	**51.7**	**46.2**

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

Note 25 | Expenses for product development

	GROUP		PARENT COMPANY	
	2015	**2014**	**2015**	**2014**
Expensed overheads for product development	128.7	120.8	–	–

Note 26 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged; currency hedges are primarily made using currency forward contracts. This refers primarily to payments from foreign subsidiaries. During the financial year, this had a negative impact on the Group's operating profit of MSEK 1.7 (neg: 3.5). The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared with the expected flows during the coming six months was, as per the closing date, NOK 35 per cent, EUR 29 per cent, GBP 27 per cent, AUD 57 per cent and CNY 22 per cent. The nominal value of these hedging contracts was MNOK 8.0 (15.0), MEUR 0.4 (1.4), MGBP 1.2 (2.0), MAUD 0.5 (1.0) and CNY 10.0. The Group does not apply hedge accounting for these contracts. Had the Group redeemed its outstanding contracts on the closing date at the current forward rate, the earnings impact would have been a negative amount of MSEK 0.8 (pos: 1.0). Besides hedging of anticipated flows, hedges have also been done in AB Fagerhult regarding translation exposure. The company's borrowings from Group companies in foreign currency amount to MEUR 10.2 and MGBP 12.7. The nominal value of these hedges amounts to MEUR 7.8 and MGBP 10.8, respectively. If the Group redeemed these outstanding contracts on the closing date at the current forward rate, there would have been a negative impact on profit of MSEK 7.9, which has been recognised in profit and loss; refer also to Note 31.

Note 27 | Changes in the Group's composition – Acquisitions and disposals

Acquired companies

Lighting Innovations (pty) Ltd

To establish a presence in both the South African market and the sub-Saharan region, the Fagerhult Group acquired the assets of Lighting Innovations, based in Port Elizabeth in South Africa, and of its subsidiaries, Beacon Lighting and Arrow Lighting. The companies have 210 employees and produce luminaires and lighting systems for mainly indoor applications in, for example, offices, shopping centres, hospitals and schools. In the financial year ending in June 2015, the companies had total sales of approximately EUR 13 million. Fagerhult will pay EUR 8.6 million (cash and debt-free) for the assets of the three companies. The transaction was completed in October 2015. Additional considerations may be payable until 2018, depending on the financial performance. The transaction will be financed with new credit facilities.

The consideration consists of the following components:

Cash paid	*74.9*
Contingent consideration	*36.0*
Total consideration	**110.9**
Fair value of net assets acquired	*51.3*
Goodwill	*59.6*

The company had an impact of MSEK 20.9 on Group sales and an impact of MSEK 0.3 on consolidated net profit, before transaction and capital costs. If the company had been part of the Group from the beginning of the year, this would have meant an MSEK 130 increase in sales and a net profit before transaction and capital costs of MSEK 4.

The assets and liabilities arising from the acquisition

	Fair value
Property, plant and equipment	18.2
Financial assets	
Intangible assets	16.3
Inventories	16.8
Receivables	20.8
Liabilities	–17.3
Deferred tax liabilities	–3.5
Net assets	**51.3**
Net assets acquired	51.3
Cash purchase consideration	74.9
Change in consolidated cash and cash equivalents on acquisition	**74.9**

The nominal value of the acquired receivables was MSEK 20.8 and the fair value amounted to MSEK 20.8. Transaction costs amounted to MSEK 1.7 and were recognised under the item Administrative expenses. The provision for contingent considerations was MSEK 36.0 and was recognised under the item other provisions.

Note 28 | Share capital

The share capital in AB Fagerhult totals SEK 65,535,000 (65,535,000) distributed amongst 38,550,000 (38,550,000) shares, with a quotient value of SEK 1.70 (1.70) per share. The number of treasury shares was 686,949 (714,000) at a quotient value of SEK 1.70 per share, has a value of SEK 1,167,813 (1,213,800). All shares outstanding entitle the holder to equal participation in the Parent Company's assets and profit and are fully paid-up. Each share entitles the holder to one vote.

	2015	**2014**
Change in the number of shares outstanding		
Number of shares outstanding at beginning of year	37,836,000	12,612,000
3-for-1 share split	–	25,224,000
Allocation of treasury shares; refer to Note 2	27,051	–
Number of shares outstanding at year end	**37,863,051**	**37,836,000**

Note 29 | Parent Company

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

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 year-end, AB Fagerhult had approximately 4,038 shareholders. The ten largest shareholders together hold 86.2 (85.3) per cent of the shares outstanding.

Ownership structure (at 31 Dec. 2015)

Shareholder	**No. of shares**	**%**
Investment AB Latour	18,530,400	48.9%
The Svensson family, foundation and company	2,836,875	7.5%
SSB CL Omnibus AC, USA	2,761,219	7.3%
Lannebo Fonder	2,658,014	7.0%
Robur Fonder	1,582,832	4.2%
SEB Fonder	1,264,469	3.3%
The Palmstierna family	1,006,200	2.7%
Nordea Fonder	741,789	2.0%
NTC Fidelity Funds	767,932	2.0%
Fourth Swedish National Pension Fund	476,464	1.3%
Handelsbanken Fonder	244,533	0.6%

Shareholder	No. of shares	%
Johan Hjertonsson	232,454	0.6%
Eric Douglas, including family and company	120,000	0.3%
Other shareholders	4,639,870	12.3%
Number of shares outstanding at the end of the period	**37,863,051**	**100.0%**

Note 30 | Dividend per share

An ordinary dividend of SEK 3.50 per share, totalling MSEK 132.5, will be proposed for 2015 at the AGM on 21 April 2016. This amount has not been reported as a liability but will, instead, be recognised as an appropriation of profit for the 2015 financial year. The dividend for 2014 amounted to MSEK 113.5 (SEK 3.00 per share).

Note 31 | Risks

Financial risks

Currency risk

Currency 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

The Group's transaction exposure arises primarily in the Swedish companies where a large proportion of revenue is generated by the global sales organisation and is not in SEK. Other companies mainly conduct operations in their national markets where revenue and costs are in the same currency.

Aside from currency risks on sales by the Swedish companies, risks also arise from the import of raw materials and components. Altogether, the Swedish companies have a surplus inflow of foreign currency.The direct commercial foreign exchange flow, after net calculations of flows in the same currencies, shows a surplus of MSEK 294 (308). 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 six-month period. On statistical assessment of the foreign-exchange position, a change in the Swedish krona against other currencies of 1 per cent, with all other variables being constant, would impact the Group's earnings by about MSEK 3 (3). The financial instruments are managed by the Parent Company's senior management.

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for the year. The exposure of the Group's net assets outside of Sweden has increased as operations there have changed from previously pertaining to sales companies, to now also including production units. At the closing date, net assets in foreign companies corresponded to MSEK 1,444 (1,322) including goodwill. The Group applies hedge accounting where the purchase consideration for acquired companies has to some extent been financed through borrowing in the acquired company's local currency. Net assets abroad that are subject to hedge accounting amount to MSEK 810 and accumulated borrowing MSEK 215. Translation differences that affected comprehensive income amounted to a negative MSEK 19.5 (neg: 25.7) before deferred tax of MSEK 4.3.

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 14 (13) 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 30 (28) whilst the impact on results in the foreign subsidiaries would be MSEK 3 (3).

Interest-rate risk

Fagerhult holds no significant interest-bearing assets and, accordingly, the Group's income and cash flow from operating activities are, in all material aspects, independent of changes in market interest rates.

The Group's interest-rate risk arises in conjunction with long-term borrowing. In addition to pension liabilities of MSEK 66.4 (65.9), interest-bearing liabilities totalled MSEK 1,342.2 (1,327.5) and cash and cash equivalents were MSEK 471.9 (353.1). Borrowing on the basis of floating interest rates exposes the Group to interest-rate risk as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. During 2015 and 2014, the Group's borrowings largely comprised loans with three-month fixed interest rates.

The Group analyses its exposure to interest-rate risk on a dynamic basis. Various scenarios are simulated, whereby refinancing, re-negotiation of existing trading positions, alternative financing and hedging are taken into consideration. Based on these scenarios, the Group calculates the earnings impact from a given change in interest rates. In each simulation, the same change in the interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest-bearing positions. Simulations performed show that the earnings impact of a 1 per cent change would be a maximum of MSEK 14, with the current capital structure. The simulation is conducted quarterly 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 2015 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 1.0 (1.0) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates.

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 to clients and banks, including receivables and agreed transactions. The investment of surplus cash is undertaken primarily in K1 graded commercial paper and with banks. Only banks and financial institutions with credit ratings 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. Where no independent credit assessment exists, 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 set 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 2015 or 2014. The majority of receivables from customers are guaranteed through credit insurance. A total provision of MSEK 23.5 (26.5) was made for those trade receivables not expected to be received.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
As of 31 December 2015						
Repayment of bank loans	1.3	0.3	645.4		395.2	300.0
Interest payments	10.5	10.5	10.5	5.1	5.1	5.2
Trade payables and other liabilities[1)]	777.4	53.3	–	–	–	–
As of 31 December 2014						
Repayment of bank loans	60.4	49.9	1,217.2	–	–	–
Interest payments	22.6	21.5	20.7	–	–	
Trade payables and other liabilities[1)]	707.6	36.5	–	–	–	–

1) Of this amount, MSEK 297.4 (288.6) is related to Trade payables the majority of which fall due within 30 days of the closing date.

Liquidity risk
Liquidity risk is managed by ensuring that the Group has sufficient cash and cash equivalents and short-term investments in 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, no new borrowing requirements exist, but should such requirements arise, there is currently no difficulty in obtaining external credit, as long as such credit meets certain covenants, on 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 above table presents an analysis of the Group's financial liabilities to be settled net, specified according to the contractual time to maturity, as of the closing date. The amounts stated in the table are the contractual, undiscounted cash flows. Amounts falling due within 12 months correspond with the carrying amounts, as the effect of discounting is negligible.

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 for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down.

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 liabilities in relation to equity.

The debt/equity ratio at 31 December 2015 was 65 per cent (78).

Operational risks
Price risk
Price risk 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 risk on financial instruments is minimal.

Risk associated with plants and inventories
In addition to the above risks, all of which, in principle, impact the Fagerhult Group's cash flows, restricted capital in both non-current assets and inventories is also exposed to risk. Rationalisations and a high level of utilisation of investments made have meant the value of capitalised assets has been possible to maintain at a comparatively low level. Consequently, the risk of a permanent impairment of non-current assets is considered unlikely. Risks associated with inventories 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 inventories is reduced and with that, the risk of obsolescence.

IT security
As computer-aided technology has assumed an increasingly greater scope within the companies, security requirements have also 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 devices. User access to the system is regulated via Group authorisations and entitlements based on actual assignments and roles within the company.

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

Note 32 | Events after balance sheet date

The Board of Directors proposes a dividend payment of SEK 3.50 (3.00) per share, which is equivalent to a total of MSEK 132.5 (113.5).

Between the closing date and the date on which this annual report was signed, no significant events or information has arisen concerning the circumstances per the closing date or thereafter, which may have a positive or negative effect on the Group, or any of the companies contained therein, and which require any further disclosures, other than those provided 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 the results of its 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 uncertainty factors facing the Parent Company and other companies within the Group.

The income statements and balance sheets will be submitted for adoption at the AGM on 21 April 2016.

Habo, 7 March 2016

Jan Svensson
Chairman of the Board

Eric Douglas
Vice Chairman

Cecilia Fasth
Board member

Björn Karlsson
Board member

Catherina Fored
Board member

Fredrik Palmstierna
Board member

Johan Hjertonsson
President and CEO

Magnus Nell
Employee Representative

Lars-Åke Johansson
Employee Representative

Our audit report was submitted on 7 March 2016.

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

AUDIT REPORT

To the Annual General Meeting of shareholders in AB Fagerhult (publ), Corporate identity number 556110-6203.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of AB Fagerhult for the year 2015. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 44–86.

Responsibilities of the Board of Directors and the CEO for the annual accounts and the consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Swedish Annual Accounts Act and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, as well as for such internal control as the Board of Directors and the CEO 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.

Auditors' 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 judgment, 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 consolidated 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 CEO, 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 opinion.

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and give, in all material aspects, a true and fair view of the financial position of the Parent Company as of 31 December 2015 and of its financial performance and 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 give, in all material aspects, a true and fair view of the financial position of the Group as of 31 December 2015 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance report has been prepared. The administration report and corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend, therefore, that the Annual General Meeting of shareholders adopt the income statements and balance sheets of the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriation of the company's profit or loss and the administration of the Board of Directors and the CEO of AB Fagerhult for the year 2015.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration according to the Swedish Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriation 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 appropriation 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 Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and the circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish 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 opinion.

Opinion

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Jönköping, 7 March 2016

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

SHAREHOLDER INFORMATION

2016 Annual General Meeting

The Annual General Meeting of shareholders in AB Fagerhult will be held on Thursday 21 April 2016, at 5:00 p.m. in Fagerhult, Habo.

Registration

Shareholders wishing to take part in the AGM must be registered in the shareholders' register maintained by Euroclear Sweden AB on Friday, 15 April 2016 and notify Fagerhult of their intention to participate no later than 15 April 2016.

Notice can be given via e-mail to arsstamma@fagerhult.se, by telephone on +46 (0)8-522 359 75 or by post to AB Fagerhult, SE-566 80 Habo, Sweden. Shareholders who have registered their shares with a nominee shareholder must, in good time prior to 15 April 2016, temporarily re-register the shares in their own name, through the nominee shareholder, to have the right to participate in the General Meeting of shareholders.

The notification must include the shareholder's name, personal/corporate identity number, address, telephone number and registered shareholding and, where applicable, information about representatives and assistants. If participation is by proxy, this proxy must be sent to Fagerhult before the AGM.

Dividend

The Board of Directors proposes to the AGM a dividend of SEK 3.50 per share. The proposed record day is 25 April 2016. In the event that AGM adopts this proposal, the dividend will be distributed through the offices of Euroclear Sweden AB starting on 28 April 2016.

Nomination Committee

The Nomination Committee for the 2016 AGM comprises the following members:

- Gustaf Douglas, Investment AB Latour, Chairman,
- Jan Svensson, Investment AB Latour,
- Eric Douglas, Investment AB Latour,
- Björn Karlsson, Svensson Family, and
- Göran Espelund, Lannebo Fonder.

In order for the Nomination Committee to consider a proposal, it must be submitted well in advance of the AGM. Proposals may be submitted to the Nomination Committee by post to:
AB Fagerhult
Att: Inga Callersjö
Tegelviksgatan 32
SE-116 41 Stockholm, Sweden

Financial information 2016

- 21 April 2016 2016 AGM
- 21 April 2016 Interim report for Q1, 2016
- 30 August 2016 Interim report for Q2, 2016
- 19 October 2016 Interim report for Q3, 2016

Distribution policy

A printed copy of the Annual Report is available upon request and can be ordered by sending an e-mail to ir@fagerhult.se or by calling +46 (0)36-10 85 00. All of Fagerhult's annual reports from previous years are available at www.fagerhultgroup.com

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DEFINITIONS

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 from operating activities for the year divided by the average number of shares outstanding.

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

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

Equity/assets ratio Equity in relation to total assets.

Liquid ratio Cash and cash equivalents in relation to current liabilities.

Net debt Interest-bearing liabilities less cash and cash equivalents.

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

Net investments Investments for the year in property, plant and equipment, less income from the sale of non-current assets.

Number of employees Average number of full-time equivalents.

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.

INDUSTRY GLOSSARY

Colour Rendering Index: Indicated as CRI on a scale from 0 to 100 and is a measure of a light source's ability to reproduce colours.

DALI: (Digital Addressable Lighting Interface) A standardised protocol for digital control.

Failure fraction - Fy: The failure of fraction at nominal lifetime and is given in per cent. For example, at 15% failures, a factor of F_{15} is stated.

IP class: Specifies the degree of protection against access to live electrical parts and how waterproof and dustproof the luminaires are. Stated as IP followed by two digits, e.g. IP23.

LED: (Light-Emitting Diode) is a semiconductor light source. LED lights have long lifespans and high energy efficiency. The light is formed by electroluminescence.

LEED: (Leadership in Energy and Environmental Design) is an international system for environmental certification for buildings. The certification focuses on reducing the use of resources such as land, water, energy and building materials.

Lighting Europe: The European trade association for luminaire and light source manufacturers.

LLMF: (Lamp Lumen Maintenance Factor). The light source's maintained luminous flux at any given time.

LMF: (Luminaire Maintenance Factor) Specifies the luminaire's pollution degree for a number of burning hours.

LSF: (Lamp Survival Factor) Specifies the number of light sources that still shine in a facility at any given time. (Expected shortfall of high quality LEDs can be assumed negligible and this factor then becomes 1.0.)

Luminaire Luminous Efficacy: Defined as the ratio between luminaire luminous flux and luminaire power of an LED luminaire and stated in lumens per watt (lm/W).

Luminaire Luminous Flux: The total light output in lumens (lm) that a luminaire emits.

Luminaire power: Stated in watts (W) and is the total system power for a luminaire.

Luminance: Indicates how bright a surface is dependent on the light reflected from an object in a specific direction. Measured in candelas per m^2 (cd/m^2).

Luminous efficiency: Measurement of a light source's efficiency and is calculated as the luminous flux divided by the power the light source consumes (wattage). Measured in lumens per watt (lm/W).

Luminous Flux: The amount of visible light emitted from a light source. Measured in lumens (lm).

Luminous Intensity: Specifies the amount of light that radiates in a certain direction. Measured in candela (cd).

Luminous Intensity Distribution: The light distribution of a luminaire which is measured according to the CIE standard and stated in cd/1,000 lm. Reported in the table or with polar plot.

MF: (Maintenance factor) The ratio between maintained illuminance and initial illuminance.

Nominal lifetime: (Rated life) Defined as the number of burning hours after which a given part of the initial light output remains. Today, life expectancy is given as the number of hours when 70 % of the initial luminous flux remains and is designated as L_{70}.

OLED: Abbreviation of organic light emitting diode.

PWM: (Pulse Width Modulation) A technique for light control with pulse width modulation recommended for LED.

R_a: An index that indicates light sources' ability to render colours. Given on a scale from 0 to 100 where 100 indicates perfect colour reproduction.

RGB technique: A technique whereby mixing red, green and blue light can create white light or coloured light of a user's choice.

UGR: (Unified Glare Rating) An international method developed by CIE to calculate an index of discomfort glare.

ZHAGA: An open consortium with the purpose of developing industry standards for LED components.

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