

Interim Report January–March 2016

- The order intake was MSEK 1,142.0 (976.1), which is an increase of 18 per cent adjusted for currency effects and acquired units
- Net sales were MSEK 1,031.5 (905.5), which is an increase of 16 per cent adjusted for currency effects and acquired units
- The operating profit was MSEK 85.4 (72.7), representing an operating margin of 8.3 (8.0) per cent
- Earnings after tax were MSEK 61.4 (51.6), an increase of 19 per cent
- Earnings per share were SEK 1.62 (1.36)
- Cash flow from operating activities was MSEK -51.5 (56.5)

Comments from CEO Johan Hjertonsson:

- The Group delivered a strong first quarter for order intake, net sales and profit which are considerably ahead of the first quarter 2015.
- Cash flow from operating activities was MSEK -51.5 mainly due to increases in accounts receivables as a result of sales volumes.
- Earnings per share at SEK 1.62 was better than in the previous year.
- LED share of net sales in the quarter was approximately two thirds.
- The order backlog is at a high level as we head into the second quarter.
- Growth over the period was good in many of our larger markets, particularly Northern & West Europe and the UK.
- We are delighted to welcome the members of LED Linear GmbH to the Fagerhult Group, we see several strong synergies from this acquisition that was announced on the 15th March.

GROUP

JANUARY-MARCH

For the first quarter of 2016, market growth continued at rates similar to 2015 for many of the Group's markets with no significant changes. The Group's geographic spread provides a balanced approach across economies with some of our larger markets continuing to demonstrate higher than average growth.

The acquisition of LED Linear GmbH will strategically strengthen the Group's position in the professional lighting market as well as reinforce our presence in Germany and provide increased global sales presence with significant sales outside of Europe, mainly Asia and North America.

The Group's first quarter order intake at MSEK 1,142.0 (976.1) was the strongest first quarter on record and showed an 18 per cent increase over the first quarter of 2015 adjusted for currency and acquisition effects. Order intake growth was positive in many regions with notable strong performances in the Nordics, France and the Middle East.

Net sales were MSEK 1,031.5 (905.5), which was an increase of 16 per cent adjusted for currency and acquisition effects, with Northern Europe and the UK business areas delivering strong results in our larger markets with the remaining businesses performing well.

The development and sale of LED products continues to increase, with particular accelerated growth in outdoor in the first quarter. LED revenues now account for approximately two thirds of consolidated net sales and by continuing to invest in product development and revenue generating investments in sales organisations in key markets, we have strengthened our product offering, brands and market coverage.

The operating profit was MSEK 85.4 (72.7), representing a 17.5% growth compared to the previous year.

Financial items were MSEK -4.6 (-3.9) with the higher cost mainly attributable to currency effects of MSEK 2. Interest charges continue to reduce as a result of lower interest rates.

The tax expense for the quarter was MSEK -19.4 (-17.2), which resulted in a slightly higher tax rate than in the previous year. Earnings per share were SEK 1.62 (1.36).

All three product areas showed increases in net sales for the first quarter compared to the first quarter 2015. Sales in Indoor Lighting were up by 7 per cent on the previous year due to strong sales in our larger markets focused on Indoor Lighting; North Europe and UK. Sales in Retail Lighting increased by 32 per cent, mainly due to strong sales to global key accounts and Outdoor Lighting increased its sales by 19 per cent as the new outdoor product range makes good progress in the Nordics.

Net sales by product area	Q1	
	2016	2015
Indoor Lighting	665.4	623.0
Retail Lighting	311.7	236.9
Outdoor Lighting	54.4	45.6
	1 031.5	905.5

BUSINESS AREAS

NET SALES AND OPERATING PROFIT BY BUSINESS AREA						
	Net sales		Operating profit		Operating margin, %	
	Q1		Q1		Q1	
	2016	2015	2016	2015	2016	2015
Northern Europe	476.3	432.7	27.1	26.3	5.7	6.1
UK and Ireland	308.5	257.5	40.9	20.9	13.3	8.1
Other Europe	189.2	190.9	17.7	20.1	9.4	10.5
Africa, Asia and the Pacific	145.5	115.7	9.1	13.0	6.3	11.2
Other	-	-	-9.4	-7.6	-	-
Eliminations	-88.0	-91.3	-	-	-	-
Total	1,031.5	905.5	85.4	72.7	8.3	8.0
Financial, unallocated items			-4.6	-3.9		
Profit before tax			80.8	68.8		

NORTHERN EUROPE

This business area comprises the Group's units and companies in the Nordic countries, the Baltic countries and Russia. The factory in China, which engages in manufacturing and purchasing, is also included. 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 in the first quarter were MSEK 476.3, compared with MSEK 432.7 in the same period in the previous year. Adjusted for currency effects the increase was 12.5 per cent. The increase in net sales was mainly due to increased sales in Sweden and Russia. The operating profit for the same period was MSEK 27.1 (26.3) and the operating margin 5.7 (6.1) per cent.

Northern Europe	Q1	
	2016	2015
Net sales	476.3	432.7
<i>(of which, intercompany sales)</i>	<i>(60.8)</i>	<i>(66.6)</i>
Operating profit	27.1	26.3
Operating margin, %	5.7	6.1
Sales growth, %	10.1	-9.4
Sales growth, adjusted for currency effects %	12.5	-9.8
Growth in operating profit, %	3.0	-16.8

UK AND IRELAND

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

Net sales in the first quarter were MSEK 308.5, compared with MSEK 257.5 in 2015. Adjusted for currency effects, this was a growth of 24.9 per cent. Within Whitecroft there was MSEK 42 included in sales to a major retailer where there was no equivalent project in the first quarter of 2015. Sales in the underlying business, excluding currency effects and one-off projects, grew by 10 per cent.

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The operating profit for the quarter was MSEK 40.9 (20.9) and the operating margin was 13.3 (8.1) per cent.

UK and Ireland	Q1	
	2016	2015
Net sales	308.5	257.5
<i>(of which, intercompany sales)</i>	<i>(14.7)</i>	<i>(14.3)</i>
Operating profit	40.9	20.9
Operating margin, %	13.3	8.1
Sales growth, %	19.8	8.4
Sales growth, adjusted for currency effects %	24.9	-8.0
Growth in operating profit, %	95.7	-20.5

OTHER EUROPE

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

Net sales for the first quarter were MSEK 189.2, compared with MSEK 190.9 in the prior year. This is a growth of -0.1 per cent after adjusting for currency effects. Sales grew at a strong pace in France and Spain. The operating profit for the same period was MSEK 17.7 (20.1). The lower operating profit was due to a changed country mix, with Germany accounting for a smaller share of sales.

Other Europe	Q1	
	2016	2015
Net sales	189.2	190.9
<i>(of which, intercompany sales)</i>	<i>(7.8)</i>	<i>(4.7)</i>
Operating profit	17.7	20.1
Operating margin, %	9.4	10.5
Sales growth, %	-0.9	-3.6
Sales growth, adjusted for currency effects %	-0.1	-9.0
Growth in operating profit, %	-11.9	26.4

AFRICA, ASIA AND THE PACIFIC

The business area comprises our operations in South Africa, Turkey, the United Arab Emirates, Australia and New Zealand. Lighting Innovations, which has its registered office in Port Elizabeth, South Africa, was consolidated in the segment from the fourth quarter 2015. Development, manufacturing and sales of lighting systems are conducted in South Africa, Australia and Turkey, while the operations in the United Arab Emirates and New Zealand engage in sales.

Net sales in the first quarter were MSEK 145.5 million, up from MSEK 115.7 in the prior year, which represented an increase of 42.3 per cent after adjusting for currency effects and acquired units.

The increase was due to significantly increased sales in the Middle East. The operating profit was MSEK 9.1 (13.0) and the operating margin 6.3 (11.2) per cent.

Africa, Asia and the Pacific	Q1	
	2016	2015
Net sales	145.5	115.7
<i>(of which, intercompany sales)</i>	<i>(4.8)</i>	<i>(5.7)</i>
Operating profit	9.1	13.0
Operating margin, %	6.3	11.2
Sales growth, %	25.8	39.9
Sales growth, adjusted for currency effects %	42.3	20.2
Growth in operating profit, %	-30.0	75.7

OTHER

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

FINANCIAL POSITION

The Group's equity/assets ratio at the end of the quarter was 33 (40) per cent. Cash and bank balances at the end of the period were MSEK 450 (335) and consolidated equity was MSEK 1,468 (1,412). The adverse cash flow, which includes the acquisition of LED Linear GmbH, resulted in an increase in net debt to MSEK 1,376 (995).

Cash flow from operating activities was MSEK -51.5 (56.5). The MSEK 108 adverse movement was due to an increase in working capital, mainly accounts receivable.

Pledged assets and contingent liabilities amounted to SEK 7.3 million (7.3) and SEK 2.2 million (1.7), respectively.

INVESTMENTS

The Group's gross investments in non-current assets were MSEK 52 (42). The figure does not include investments in subsidiaries, which were MSEK 291 (0).

ACQUISITION OF LED LINEAR

To strategically strengthen the Fagerhult Group's position in the professional lighting market as well as adding leading complementary product ranges, Fagerhult has acquired 100% of the shares of LED Linear GmbH based in Neukirchen-Vluyn, Germany.

LED Linear GmbH manufactures linear LED lighting fixtures, LED modules and other lighting fixture components primarily for the indoor and outdoor commercial sector. Typical application areas include commercial offices, retail, hospitality, infrastructure and high-end residential buildings. The company has successfully established a global sales presence with more than half of the net sales outside Europe, mainly in North America and Asia.

In the year ending December 2015, the company had 110 employees, sales of approximately 21 MEUR and a profitability rate significantly above that of the Fagerhult Group. Fagerhult pays MEUR 40, on a cash and debt free basis, as an initial payment for 100% of the shares of LED Linear GmbH. An additional earn out of MEUR 21 can be paid until 2018 tied to the company performance. The company also has shares in seven international joint ventures acting as sales companies. As part of the transaction the joint venture partner in LED Linear USA will use the option to sell the shares to LED Linear GmbH.

The company will be consolidated in the Fagerhult Group from the 31 of March 2016 and reported under the business area Other Europe.

The consideration consists of the following components:

Cash paid for LED Linear GmbH	325.6
Contingent consideration LED Linear GmbH	180.0
Acquisition of 50 % in LED Linear USA Inc.	42.0
Contingent consideration LED Linear USA Inc.	12.0
<hr/> Total consideration	<hr/> 559.6
Net assets acquired	56.4
<hr/> Excess value – acquisition asset	<hr/> 503.2

A market valuation of the individual components of net assets has begun and the distribution of excess value will be reported in the next quarterly report.

Change in consolidated cash and cash equivalents on acquisition:

Cash paid	325.6
Cash and cash equivalents in the acquired company	-35.4
<hr/> Net change in consolidated cash and cash equivalents on acquisition	<hr/> 290.2

EMPLOYEES

The average number of employees during the period was 2,652 (2,395).

PARENT COMPANY

AB Fagerhult's operations comprise Group management, financing and the coordination of marketing, production and business development activities. The profit after financial items was MSEK 41.0 (52.7).

The number of employees during the period was 7 (6).

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting, and the Swedish Annual Accounts Act. The information for the interim period on pages 1-11 is an integral part of this financial report.

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. The policies applied are unchanged compared with the preceding year.

For more information about the accounting policies applied, please refer to AB Fagerhult's website under "Financial information."

RISKS AND UNCERTAINTIES

The Group's significant risks and uncertainties consist primarily of business risks, and financial risks associated with currencies and interest rates. Through the company's international operations, the Fagerhult Group is subject to financial exposure arising from currency fluctuations. The most prominent are currency risks arising from export sales and imports of raw materials and components. This exposure is reduced by hedging the flow of sensitive currencies, based on individual assessment. Currency risk also arises in the translation of foreign net assets and earnings. For more information about the company's risks, refer to the 2015 Annual Report. In addition to the risks described in the company's Annual Report, no other significant risks are considered to have arisen.

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.

The Group's main markets continue to display stable growth and management expects this situation to continue for the remainder of 2016. Fagerhult is entering the second quarter with a stronger order book than in the preceding quarter.

The acquisition of LED Linear GmbH is expected to have a positive effect on earnings per share during the year.

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

Habo, 21 April 2016

AB Fagerhult (publ)

Johan Hjertonsson
President and CEO

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

Interim reports for 2016 will be released on 30 August 2016 and 19 October 2016.

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

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GROUP

INCOME STATEMENT

	2016 Jan-Mar 3 months	2015 Jan-Mar 3 months	2015/16 Apr-Mar 12 months	2015 Jan-Dec 12 months
Net sales	1 031.5	905.5	4 035.4	3 909.4
(of which, outside Sweden)	(810.1)	(697.4)	(3 152.3)	(3 039.6)
Cost of goods sold	-706.4	-611.9	-2 706.9	-2 612.4
Gross profit	325.1	293.6	1 328.5	1 297.0
Selling expenses	-182.9	-167.0	-693.9	-678.0
Administrative expenses	-61.6	-60.4	-247.1	-245.9
Other operating income	4.8	6.5	21.2	22.9
Operating profit	85.4	72.7	408.7	396.0
Financial items	-4.6	-3.9	-19.5	-18.8
Profit after financial items	80.8	68.8	389.2	377.2
Tax	-19.4	-17.2	-90.8	-88.6
Net profit for the period	61.4	51.6	298.4	288.6
Net profit for the period attributable to shareholders of the Parent Company	61.4	51.6	298.4	288.6
Earnings per share, based on earnings attributable to shareholders of the parent during the year				
Earnings per share before dilution, SEK	1.62	1.36	7.88	7.62
Earnings per share after dilution, SEK	1.62	1.36	7.88	7.62
Average number of outstanding shares before dilution	37 863	37 836	37 863	37 856
Average number of outstanding shares after dilution	37 863	37 836	37 863	37 856
Number of outstanding shares, thousands	37 863	37 836	37 863	37 863
Statement of comprehensive income				
Net profit for the period	61.4	51.6	298.4	288.6
Other comprehensive income				
Items which may be reversed in the income statement:				
Translation differences	-31.9	30.5	-132.2	-69.8
Other comprehensive income for the period, net after tax	-31.9	30.5	-132.2	-69.8
Total comprehensive income for the period	29.5	82.1	166.2	218.8
Comprehensive income attributable to shareholders of the Parent Company	29.5	82.1	166.2	218.8

BALANCE SHEET	31 Mar 2016	31 Mar 2015	31 Dec 2015
Intangible assets	1 965.2	1 438.8	1 465.7
Tangible fixed assets	417.1	393.1	392.4
Financial assets	49.4	23.8	35.4
Inventories, etc.	644.7	592.7	602.3
Accounts receivable - trade	831.1	677.3	678.5
Other non interest-bearing current assets	82.3	84.1	93.2
Cash and cash equivalents	450.1	335.1	471.9
Total assets	4 439.9	3 544.9	3 739.4
Equity	1 467.6	1 412.4	1 437.1
Long-term interest-bearing liabilities	1 826.1	1 269.2	1 407.3
Long-term non interest-bearing liabilities	348.6	100.6	116.3
Short-term interest-bearing liabilities	0.1	61.3	1.3
Short-term non interest-bearing liabilities	797.5	701.4	777.4
Total equity and liabilities	4 439.9	3 544.9	3 739.4

CASH FLOW STATEMENT	2016 Jan-Mar 3 months	2015 Jan-Mar 3 months	2015/16 Apr-Mar 12 months	2015 Jan-Dec 12 months
Operating profit	85.4	72.7	408.7	396.0
Adjustments for non-cash items	9.5	45.7	90.5	126.7
Financial items	-3.8	-4.3	-22.0	-22.5
Tax paid	-49.1	-30.5	-113.4	-94.8
Funds contributed from operating activities	42.0	83.6	363.8	405.4
Change in working capital	-93.5	-27.1	-28.3	38.1
Cash flow from operating activities	-51.5	56.5	335.5	443.5
Cash flow from investing activities	-335.4	-19.6	-534.4	-218.6
Cash flow from financing activities	364.1	-62.9	324.5	-102.5
Cash flow for the period	-22.8	114.1	125.6	122.4
Cash and cash equivalents at beginning of period	471.9	353.1	335.1	353.1
Translation differences in cash and cash equivalents	1.0	8.0	-10.6	-3.6
Cash and cash equivalents at end of period	450.1	335.1	450.1	471.9

KEY RATIOS AND DATA PER SHARE

	2016 Jan-Mar 3 months	2015 Jan-Mar 3 months	2015/16 Apr-Mar 12 months	2015 Jan-Dec 12 months
Sales growth, %	13.9	2.3	3.2	4.6
Growth in operating profit, %	17.5	-3.5	3.2	4.6
Growth in profit after financial items, %	17.4	2.8	3.2	8.4
Operating margin, %	8.3	8.0	10.1	10.1
Profit margin, %	7.8	7.6	9.6	9.6
Cash liquidity, %	56	44	56	61
Net debt/equity ratio, %	94	70	94	65
Equity/assets ratio, %	33	40	33	38
Capital employed, MSEK	3 294	2 743	3 294	2 846
Return on capital employed, %	10.4	10.7	13.7	14.4
Return on equity, %	16.7	15.1	20.7	20.9
Net debt, MSEK	1 376	995	1 376	937
Gross investment in non-current assets, MSEK	52.0	41.9	128.0	117.9
Net investment in non-current assets, MSEK	52.0	41.9	128.0	117.9
Depreciation/amortisation of non-current assets, MSEK	29.2	27.1	109.4	107.3
Number of employees	2 652	2 395	2 483	2 451
Equity per share, SEK	38.76	37.33	38.76	37.96
Number of outstanding shares, thousands	37 863	37 836	37 863	37 863

CHANGES IN EQUITY

Attributable to shareholders of the Parent Company

	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Equity at 1 January 2015	65,5	159,4	37,2	1 067,1	1,329,2
Net profit for the period				51,6	51,6
Other comprehensive income			30,5		30,5
Total comprehensive income for the period			30,5	51,6	82,1
Performance share plan				1,1	1,1
Equity at 31 March 2015	65,5	159,4	67,7	1 119,8	1 412,4
Equity at 1 January 2016	65,5	159,4	-32,6	1 358,3	1 437,1
Net profit for the period				61,4	61,4
Other comprehensive income			-31,9		-31,9
Total comprehensive income for the period			-31,9	61,4	29,5
Performance share plan				1,0	1,0
Equity at 31 March 2016	65,5	159,4	64,5	1 420,7	1 467,6

PARENT COMPANY

INCOME STATEMENT

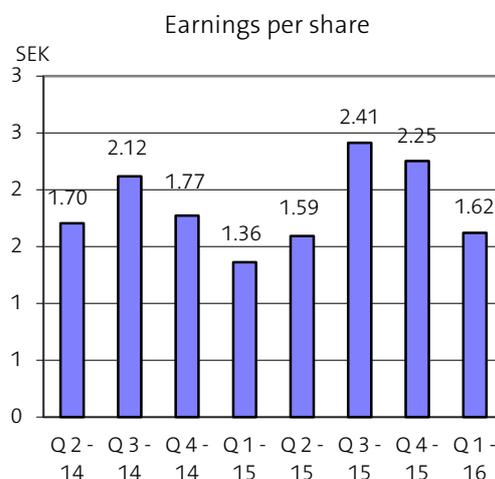
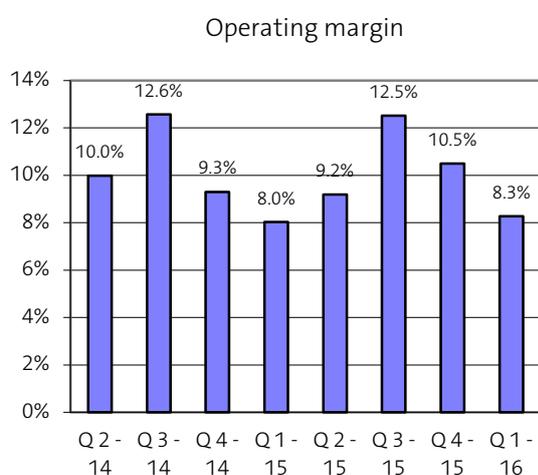
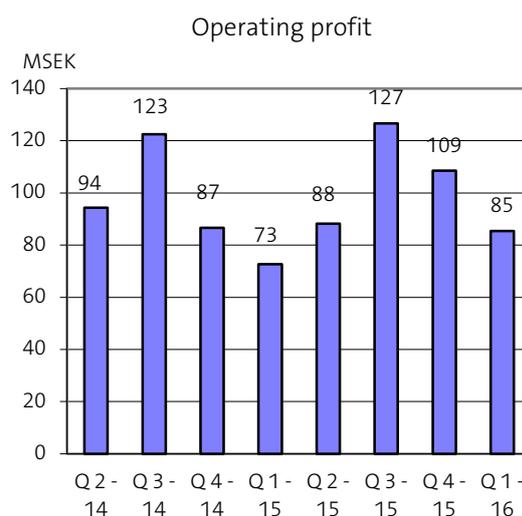
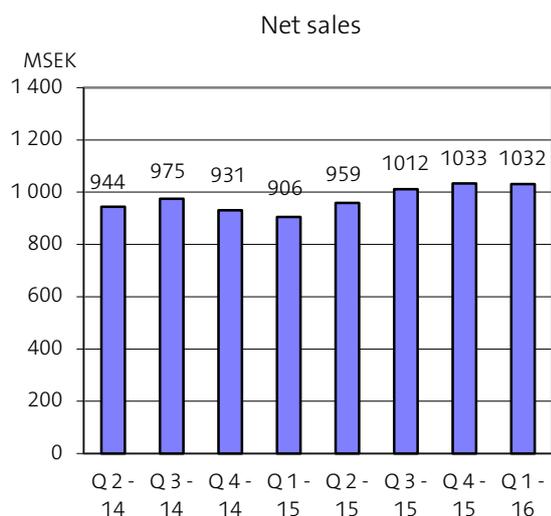
	2016 Jan-Mar 3 months	2015 Jan-Mar 3 months	2015/16 Apr-Mar 12 months	2015 Jan-Dec 12 months
Net sales	4.8	0.8	24.1	20.1
Selling expenses	-0.9	-0.8	-3.0	-2.9
Administrative expenses	-11	-7.7	-52.1	-48.8
Operating profit	-7.1	-7.7	-31.0	-31.6
Income from shares in subsidiaries	46.9	49.5	46.9	49.5
Financial items	1.2	10.9	-4.6	5.1
Profit after financial items	41.0	52.7	11.3	23.0
Group contributions received	-	-	95.0	95.0
Tax	-	-2.4	-14.8	-17.2
Net profit	41.0	50.3	91.5	100.8

BALANCE SHEET

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Financial fixed assets	2 451.9	1 985.0	2 074.8
Other non interest-bearing current assets	35.8	19.1	44.6
Cash and bank balances	105.3	21.7	49.8
Total assets	2 593.0	2 025.8	2 169.2
Equity	584.5	606.0	542.7
Untaxed reserves	8.6	8.6	8.6
Long-term interest-bearing liabilities	1 699.1	1 177.80	1 321.1
Long-term non interest-bearing liabilities	1.7	1.7	1.7
Short-term interest-bearing liabilities	287.4	201.6	250.8
Short-term non interest-bearing liabilities	11.7	30.1	44.3
Total equity and liabilities	2 593.0	2 025.8	2 169.2

CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2015	65.5	159.4	329.7	554.6
Performance share program			0.8	0.8
Net profit for the period			100.8	100.8
Dividend paid, SEK 3.00 per share			-113.5	-113.5
Equity at 31 December 2015	65.5	159.4	317.8	542.7
Performance share plan			0.8	0.8
Net profit for the period			41.0	41.0
Equity at 31 March 2016	65.5	159.4	359.6	584.5



KEY RATIOS AND DATA PER SHARE

	2012	2013	2014	2015	2015/16 Apr-Mar 12 months
Net sales, MSEK	3 085	3 095	3 736	3 909	4 035
Operating profit, MSEK	252	278	379	396	409
Profit after financial items, MSEK	214	247	348	377	389
Earnings per share, SEK	4.20	4.83	6.90	7.62	7.88
Sales growth, %	2.1	0.3	20.7	4.6	3.2
Growth in operating profit, %	-20.8	10.3	36.5	4.6	3.2
Growth in profit after financial items, %	-25.3	15.5	40.9	8.4	3.2
Operating margin, %	8.2	9.0	10.1	10.1	10.1
Net debt/equity ratio, %	94	86	78	65	94
Equity/assets ratio, %	35	37	38	38	33
Capital employed, MSEK	2 058	2 163	2 723	2 846	3 294
Return on capital employed, %	12.2	13.3	15.6	14.4	13.7
Return on equity, %	17.8	18.7	22.1	20.9	20.7
Net debt, MSEK	874	885	1 040	937	1 376
Net investment in non-current assets, MSEK	92	65	110	118	128
Depreciation/amortisation of non-current assets, MSEK	85	89	95	107	109
Number of employees	2 192	2 204	2 370	2 451	2 483