FAGERHULT

ANNUAL REPORT 2011

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On the cover: Wrap was awarded the prestigious
Red Dot Award during the year.

FAGERHULT
ANNUAL REPORT
2011

People need light. The right lighting creates security, improves performance and helps us stay healthy. However, good lighting solutions are more than that. Nowadays, intelligent and energy-efficient systems can also save large amounts of money and contribute to an environmentally-friendly existence.

In Fagerhult, we have been building our business based on our knowledge of lighting ever since Bertil Svensson founded the first factory in 1945. A comprehensive view, client insight and strong brand provide some explanation as to how we could grow into one of the largest players in the industry. The same values that we offer to our clients create added value for our shareholders. So far, we have never reported a loss. On the following pages, we will cast further light on our thoughts and strategies for the future.

BUSINESS CONCEPT

Fagerhult's business concept is to develop, manufacture and market lighting systems for public environments.

VISION

Fagerhult's vision is to create energy-efficient lighting solutions which contribute to an ergonomically sound environment in an international arena.

VALUES

Customer focus.
Performance culture.
Innovative mindset.

THIS IS AB FAGERHULT

Fagerhult is one of Europe's leading lighting groups, with approximately 2,200 employees and operations in approximately 20 countries. We create modern products and exciting, energy-efficient and environmentally-adapted lighting systems. The Group includes strong brands, such as Fagerhult, LTS Licht & Leuchten, Ateljé Lyktan, Eagle Lighting, Designplan Lighting and Whitecroft Lighting. AB Fagerhult is listed on the Nasdaq OMX Nordic Exchange in Stockholm. We offer tailor-made solutions in the following areas:

OFFICE LIGHTING

Products and solutions for modern office environments, hotels and other public spaces.

SCHOOL LIGHTING

Lighting solutions specially adapted to educational premises, from lecture halls to study rooms and libraries.

INDUSTRIAL LIGHTING

Systems, applications and products for industrial spaces and other demanding environments.

HEALTH AND HOSPITAL CARE PRODUCTS

Medical technical equipment, such as panels for intensive care units and treatment rooms, and dialysis columns in hospitals.

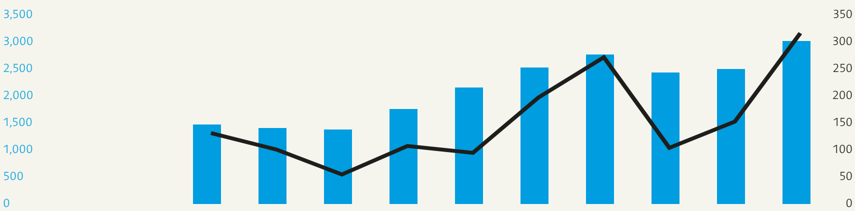
RETAIL LIGHTING

Lighting solutions and service for retail environments, developed through knowledge and understanding of the significance of light for consumer attitudes and behaviour.

OUTDOOR LIGHTING

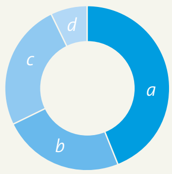
Lighting for public spaces such as roads, paths and parks, as well as architectural lighting.

Fig. 1
SALES AND PROFIT DEVELOPMENT



Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales, MSEK	1,475	1,403	1,382	1,759	2,162	2,527	2,770	2,436	2,506	3,023
Operating profit, MSEK	132	101	55	108	95	198	272	104	153	317

Fig. 2
SALES PER BUSINESS AREA



a) Northern Europe: 44%
b) The UK, Ireland and the Middle East: 24%
c) Other Europe: 25%
d) Asia and Australia: 7%

THE PAST YEAR

IMPROVED RESULTS: Both sales and profit improved in 2011. Sales increased from MSEK 2,506 to MSEK 3,023. Net sales increased by 6.3 percent, after adjustments for acquisitions and currency effects. Operating profit increased by 107 percent. This is due, in part, to the acquisition of LTS Licht & Leuchten in Germany and Designplan Lighting Ltd in the UK, but is also a result of organic growth, higher margins and lower costs.

CURRENCY EFFECTS: The strong Swedish krona during 2011 had a negative impact of MSEK 20 on income compared with 2010.

INCREASED ORDERS: Orders rose during the year. After adjustments for acquired operations and currency effects, orders increased by 8.7 percent compared with 2010.

ACQUISITIONS: In March 2011, Fagerhult acquired the British lighting company Designplan, with sales of approximately MSEK 140. The company was consolidated in Fagerhult as of the second quarter. Designplan is a strategic acquisition which strengthens Fagerhult's offerings for solutions in demanding environments, such as public transport and prisons.

GROWTH IN RETAIL: The product area Retail Lighting continues to show strong growth. Sales increased by 18 percent compared with the previous year, after adjustments for acquisitions and currency effects.

NEW LED SOLUTIONS: Developments within LED lighting continued through the year. The launch of Fagerhult's Multilume Flat, an integrated LED fixture for lighting in public spaces which replaces the traditional T5 fixture, is one example of the latest technology. Fagerhult also launched Pleiad G3, a series of fixtures for lighting in public spaces which has been specially developed to take advantage of all the benefits of LED technology.

DESIGN AWARD: Once again, Fagerhult received the prestigious Red Dot award. This time the award was for the innovative lighting fixture Wrap, which was launched in 2011 (see cover).

NET SALES

3,023 MSEK

OPERATING PROFIT

317.2 MSEK

OPERATING MARGIN

10.5 %

EARNINGS PER SHARE

16.43 SEK

Last year, Fagerhult passed two important milestones with regard to sales and profit margin: sales exceeded SEK 3 billion, and our profit margin rose to just over 10 percent. As the Group CEO, I see these as important indications that we are doing the right things, and that the strategy we decided on three years ago is working. We are now approaching the levels at which we intend to perform. This strengthens our confidence in the future and gives us a new platform from which to act.

There are several explanations for our strong results. In the long term, it is, of course, because we offer our customers more than just products – they receive profitable, comprehensive solutions based on our extensive knowledge of light. But we have also been successful in working with our brands, our product development, our product mix and our production structure.

We are now also reaping the rewards of the structural measures we adopted in 2009 and of the reorganisation we implemented during 2010 to support our overall strategy of being, as a minimum, among the top three industry leaders in the markets in which we choose to operate.

FURTHER GROWTH

Nevertheless, we still strive for improvement. We intend to continue growing and to further enhance our profitability. There are always areas in which we can improve. One example is our product area Outdoor Lighting, where we had hoped to see higher growth, although we should point out that this area demonstrated good organic growth in the Nordic countries.

When it comes to Retail Lighting, we have continued to strengthen our positions, with the German company, LTS Licht & Leuchten, as an important base for our European operations. After adjustments for acquisitions and currency effects, sales in this product area increased by 18 percent during 2011. Retail continues to be strategically important to us – this segment accounts for 25 percent of the entire European lighting market.

EXCITING ACQUISITIONS

We have made an exciting new acquisition within the area of Indoor Lighting with the British company Designplan Lighting. This gives us instant access to a new product segment, namely lighting systems for

”THE STRATEGY WE DECIDED ON THREE YEARS AGO IS WORKING.”

demanding environments. These include underground railway systems, railway stations and prisons, where the demand for secure and robust solutions is particularly high. We expect to see positive development in this segment: the population is increasing, cities are expanding, and awareness of the environmental benefits of public transport is leading to an increasing number of travel hubs. The acquisition of Designplan, with a turnover of SEK 140 million, strengthens our position in the UK market and is a perfect complement to Fagerhult's existing product range.

STRONG BRANDS

Our work with our brands, our customer focus and product development play a central role in our daily work. Our strategic goal is to develop Fagerhult into a global brand while still allowing local brands, such as Whitecroft Lighting, Eagle Lighting, LTS Licht & Leuchten and, now, also Designplan, room to manoeuvre, and this strategy has really started to pay off. It is important that we continue to further develop our brands. We see that they are a strength when we compete for major project assignments, and that they have a positive effect on our customers' willingness to pay.

When it comes to product development, I am pleased to say that we proved our strength in a number of areas in 2011. I wrote in last year's comments from the Group CEO that the transition to LED technology is so significant that it can be compared to the breakthrough of the fluorescent lamp in 1942. I have had no reason to change my opinion and the fact is that we have delivered several exciting LED solutions in 2011. I would particularly like to mention innovations such as Freedom, which makes it possible to use lighting to create free forms, Pleiad G3, our successful downlight series which now benefits from all the advantages of LED technology, and Multilume Flat, the first LED fixture that is more effective than a T5 fixture.

THE STRATEGY REMAINS UNCHANGED

Looking at the future, I see both opportunities and challenges ahead. Our strategy to grow both organically and through acquisitions remains unchanged and we continue to believe that our largest growth opportunities are in our existing markets. We will continue to focus on increasing sales and streamlining our processes. We have set up a new sales company in New Zealand giving us a better foothold in that market, and we have taken the decision to increase our presence in the Middle East by setting up a branch in Saudi Arabia. At the same time, we are, of course, monitoring the economic situation carefully.

CONTRIBUTING TO THE ENVIRONMENT

Running our businesses in a long-term sustainable manner is important to us. Since 2008, we have presented our sustainability efforts in line with the guidelines in the Global Reporting Initiative (GRI). We view our work with sustainability as an ongoing activity, a natural process that benefits Fagerhult and our customers financially, environmentally and socially.

We can contribute to a better environment in two ways. Firstly, by helping our customers to reduce their environmental impact through the development of more energy-efficient lighting systems. Secondly, through our own efforts to reduce the environmental impact of our manufacturing processes. One example of this is that, since 2010, we have heated our main Swedish plant with wood chips, which is a renewable fuel, instead of oil.

COMMITTED EMPLOYEES

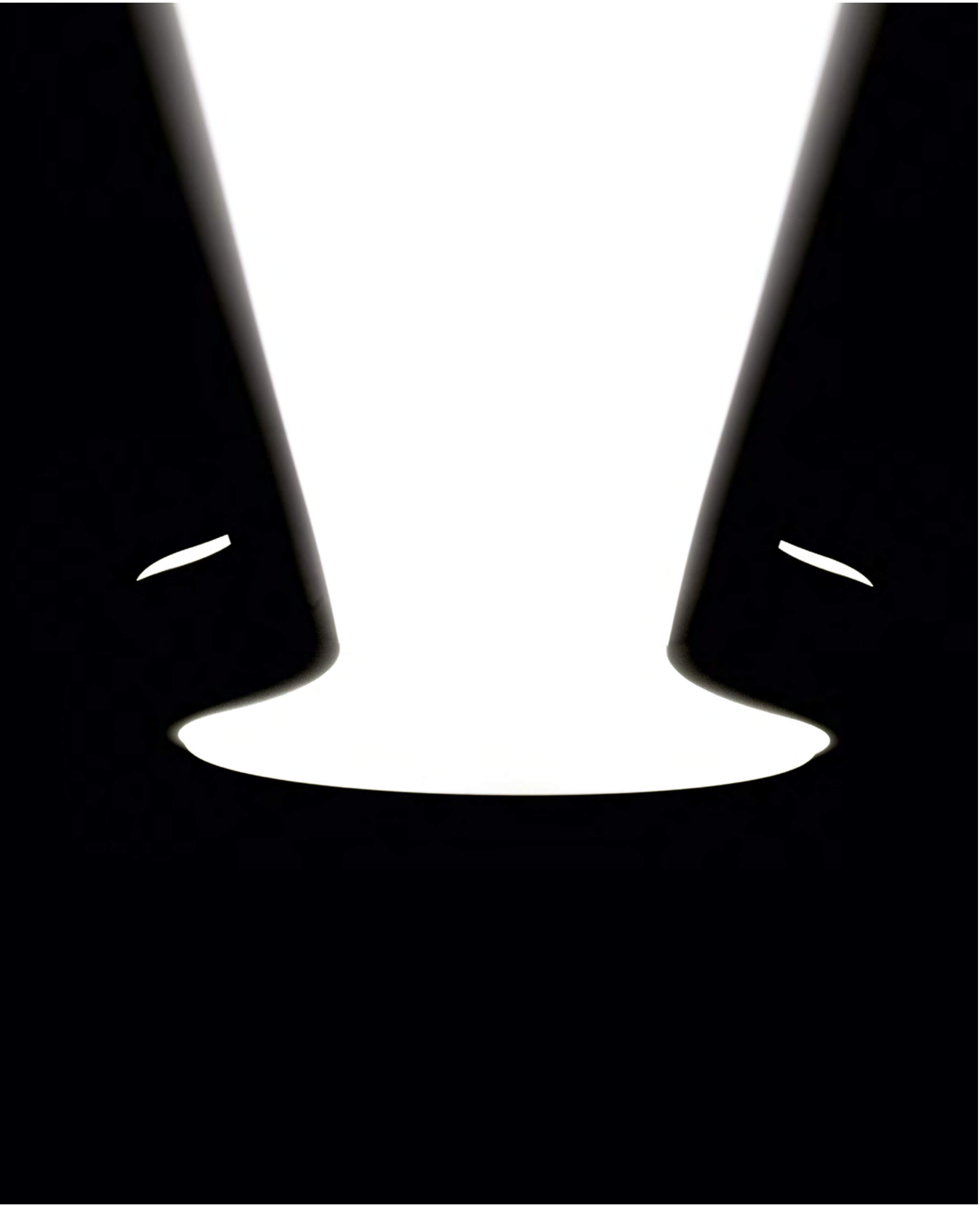
Teamwork is, as always, a critical factor for success. I would like to bring attention to our personnel, who are making tremendous contributions to our success every day. Fagerhult is characterised as a knowledge-based company, and the commitment of our employees is vital if we are to achieve our business objectives. This is the reason why we worked hard in 2011 to develop our Group-wide Talent Management programme. By working systematically with our own leadership, we ensure that the employees both know what is expected of them and that they receive the best opportunity to grow with the Company.

Habo, February 2012

JOHAN HJERTONSSON
President and CEO

FAGER
HULT

AB Fagerhult is the Nordic Region's largest lighting group and one of Europe's leading players in the industry. The Group has operations in approximately 20 countries, with sales companies in Sweden, Norway, Denmark, Finland, the UK, Ireland, the Netherlands, France, Spain, Germany, Austria, Estonia, Poland, Russia, the United Arab Emirates, Australia and China. The Group has manufacturing units in Habo and Åhus in Sweden, Manchester and Sutton in the UK, Tettnang in Germany, Melbourne in Australia and Suzhou in China.



The technological transition which has taken place in the lighting industry in recent years, with an increasing number of smart LED solutions, is, in many ways, as unique and revolutionary as the breakthrough of fluorescent strip lighting. The new energy-efficient technology is, however, not the only driver of development. Changes in customer behaviour and new legislation are also powerful factors. Overall, the changes in the industry offer major development opportunities for lighting companies.

FAGERHULT'S MARKETS

Today, Fagerhult is present in approximately 20 countries, in which the Group's largest development opportunities can be found. We are already the leading lighting Group in the Nordic countries, and among the market leaders in Europe and Australia. New markets are not excluded; however, our greatest potential lies in the areas in which we already have operations. During 2011, we acquired the British company, Designplan, as a result of which Fagerhult has broadened its offering to include solutions for demanding environments requiring robust products, for example, public transport and prisons.

Fagerhult's three product areas are offered on all markets: Indoor Lighting (Professional Lighting), Outdoor Lighting and Retail Lighting. Indoor Lighting is the area in which Fagerhult has historically had the strongest market position with lighting solutions for, for example, offices, schools, hospitals and industries. Development continues to be excellent; customers are discovering that investments in modern lighting technology are one of the most efficient ways to lower their energy usage and, therefore, their effect on the climate. Significant savings can be made: a lighting solution installed prior to 1995 uses 80 percent more energy than today's modern solutions.

The product area Retail Lighting was hit hard by the economic downturn, but has recovered significantly in recent years. Knowledge of lighting affects consumer behaviour and the increasing awareness of the amounts of money and energy that can be saved with modern solutions has given impetus to this development. The acquisition of the German company, LTS Licht & Leuchten, which is very strong in its market within Retail Lighting, was a step in the development towards strengthening Fagerhult in the product area. Outdoor Lighting also continues to be an interesting area of growth. Development is driven, not the least, by the ever faster phase-out of light sources containing mercury, and by society's demand for more energy-efficient lighting systems. Fifty percent of all outdoor lighting in Europe uses the old light sources containing mercury, and are to be phased out by 2016, in accordance with the EU directive.

NEW TECHNOLOGY OFFERS OPPORTUNITIES

LED lighting, that is, Light Emitting Diodes, has changed the playing field for the lighting industry. LEDs were first used as signal lighting, including traffic lights, but have increasingly been used for spot lighting and façade lighting. The technology is now so advanced that LEDs can also be used for general lighting at low to medium levels, and, to an increasing degree, LEDs are challenging fluorescent lighting in terms of efficiency. LEDs have many advantages over traditional light bulbs. The bulbs are small and versatile from a design perspective, generate light more efficiently, have a long lifetime and the light, which can be produced in a

8tallet, Ørestad, Denmark.

INVESTMENTS IN MODERN LIGHTING TECHNOLOGY ARE ONE OF THE MOST EFFICIENT MEANS OF DECREASING YOUR ENERGY CONSUMPTION AND, THEREBY, YOUR ENVIRONMENTAL IMPACT.

Tuscan corner light fittings in an underpass in Palm Jumelrah, Dubai.

variety of colours, can be easily adjusted. Today, customers can choose white LED lighting with a luminous efficiency of more than 100 lumens per watt, which is at least as efficient as today's fluorescent lighting. The demand for LED solutions is expected to continue to increase, but there are limiting factors. The light is intensive and in certain environments requires, for example, prisms in order to be directed correctly and to function properly. An investment in LED lighting will be wasted if it has not been fully thought through. For this reason, Fagerhult is careful to sell not only the technology, but comprehensive solutions.

A further technological advance driving developments in the industry is intelligent control systems. Lighting solutions based on smart IT technology can, for example, ensure that the fittings and systems are turned on or off depending on the time of day or whether or not someone is present on the premises. This means a better quality of life and improved working conditions for the users, while at the same time reducing energy consumption. It is also easier to monitor the system as modern technology can warn users when something goes wrong with a light source.

SOCIETY'S DEMANDS DETERMINE DEVELOPMENT

One of society's most important overall goals is increased energy efficiency. The decisions taken by the authorities have a substantial impact on Fagerhult's markets. The EU's climate goal of reducing carbon dioxide emissions by 20 percent by 2020 has had a significant impact on the market for a number of years and has opened up new business opportunities. The above-mentioned EU Directive to phase out all light sources containing mercury by 2016, has also led to a number of business opportunities for lighting companies. Another decision by an authority which has benefited the market is the EU directive requiring property owners to provide an energy declaration for the buildings they own. Property owners with older lighting systems have been forced to look into the advantages provided by more efficient solutions. The result is that there is a potential for both financial savings and environmental gains.

KNOWLEDGEABLE CUSTOMERS

Customers, too, are increasingly knowledgeable about lighting issues. This is partly due to the growing interest in design, but is equally due to insights regarding the importance of employee health, the lighting design of rooms and buildings and the strengthening of brand identity. The customer increasingly recognises the link between well thought-through lighting and a strong brand, so the demand for tailor-made solutions continues to be strong. A new lighting system is a major investment, which means that an increasing number of customers consider the costs over the entire lifetime of the lighting system before deciding to invest. Customers have also learned to appreciate good service and guaranteed delivery. At the same time, many clients still require solutions using existing technology.

MANY PLAYERS

The lighting industry remains fragmented, with many different types of operators, and major local differences. Recent years have seen a move towards consolidations, with a relatively high number of acquisitions and sales, both internationally and locally. In addition, we are seeing a sector shift, with new operators joining the industry. LED growth has, for example, resulted in a number of major electronics companies seeing the potential for developing their own products and solutions.

IMPACT OF MEGA-TRENDS

Legislation and changing technology are important driving forces, but the lighting industry, in common with other industries, is also affected by so-called “mega-trends”, that is, major external forces impacting the market in a variety of ways. One such trend is the fact that people are living longer. As the number of elderly people increases, so will the demand for, among other things, hospital equipment and high-quality lighting systems to suit the elderly. At the same time, there is another side to this issue: while it is true that people are living longer, they are also keeping themselves healthier as they grow older, and they are working longer. This increases the need for appropriate workplace lighting.

Another major trend is that many choose to work more intensively during a given time period but, in turn, try to get more out of their free time. This fuels both the demand for suitable lighting fixtures in workplaces, as well as lighting solutions in leisure facilities, such as hotels and spas.

The third trend concerns responsibility. Growing numbers of people are becoming aware of the impact our lifestyle has on the environment and society and they want to make a difference. When both companies and the individual increase their awareness of these issues of responsibility, this, in turn, drives the demand for more energy-saving lighting solutions.

Byscenen in Trondheim, Norway.

Extensive customer insight, innovative solutions and efficiency in everything we do, but always with a strong focus on synergies and costs. This is the basis of our approach when developing new products and business. Every day, in all of the countries in which we operate, our employees strive to identify new, creative and unique lighting solutions in co-operation with our clients.

EFFICIENT COORDINATION OF RESOURCES

We achieve synergy effects and cost control by maintaining a good overview of the entire Group. Coordinating our resources within the Group, in all markets, gives us major opportunities to make our three product areas, Indoor Lighting, Outdoor Lighting and Retail Lighting, cost-efficient. By coordinating purchases and having a limited number of suppliers, we can keep our purchasing prices down, without sacrificing quality. Our efficiency has given us a reputation as a reliable supplier, an important competitive advantage which we promote. A special Group-wide department, Operations, ensures that we coordinate and utilise resources efficiently within Fagerhult. Production currently takes place at seven facilities: Habo and Åhus in Sweden, Manchester and Sutton in England, Tettnang in Germany, Suzhou in China and Melbourne in Australia.

PROFITABLE KNOWLEDGE

Our understanding of the effect that light has on people is fundamental to our product development. It is the source of the customer insight which is at the core of our ability to deliver innovative solutions. Consequently, it is also important to ensure that our knowledge is shared effectively throughout our own organisation. Fagerhult Lighting Academy represents the Group’s own knowledge base. The Academy was founded in 2004 and is now our hub for the coordination of research and training within the various geographical business areas, and for our work in developing new solutions and products, for example, within LED technology. The Fagerhult Lighting Academy also provides a forum both for continual competence development amongst the employees through our training network and for meeting the customers’ requirements for training in the importance of lighting. From a business perspective, the Academy also creates added value as it structures the transfer of knowledge and ensures that new, cutting-edge competencies are utilised when we acquire new companies.

STRONG BRANDS

Fagerhult is a strong brand in the industry. But we also have brands with strong local roots, which are also important for creating value. In the UK, for example, Whitecroft Lighting is a market leader and in Germany LTS Licht & Leuchten has a well-established position within Retail Lighting. Since 2010, work to strengthen the brand has been undertaken through a shared competence area, Products & Brands. The area’s responsibilities include undertaking product development, coordinating the Group’s marketing activities in the various markets and ensuring that the Group maximises the inherent values of its brands.

OUR BUSINESS

The Fagerhult Group operates in three product areas: Indoor Lighting (Professional Lighting), Outdoor Lighting and Retail Lighting. Operations are divided into four geographical business areas (see the opposite page), which supports our emphasis on internationalisation in the best possible manner. Our goal is to be one of the top three industry leaders in all of the markets in which Fagerhult chooses to be active.

Manufacturing is predominantly carried out in large facilities in Suzhou in China, Habo and Åhus in Sweden, Manchester and Sutton in England, Melbourne in Australia and Tettnang in Germany.

The Fagerhult Group has six large brands originating from four different markets: the main brand, Fagerhult, has its strongest base in northern Europe; Ateljé Lyktan has a characteristically Nordic emphasis on cutting-edge design; Whitecroft Lighting is the industry leader in the UK; the British brand Designplan is the leader in lighting in demanding environments; LTS Licht & Leuchten is one of the largest in its field in Germany; and Eagle Lighting has a strong presence in Australia.

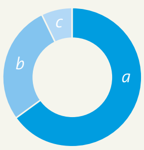
Fig. 3

SALES PER PRODUCT AREA 2011

a) Indoor Lighting: 65 %

b) Retail Lighting: 28 %

c) Outdoor Lighting: 7 %



BRANDS IN THE GROUP

FAGERHULT

ateljé Lyktan

LTS® LICHT & LEUCHTEN

Whitecroft lighting

designplan

eaglelightingaustralia 'Member of the Fagerhult Group'

BUSINESS AREA

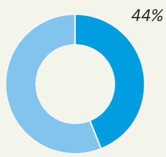
NORTHERN EUROPE

Units in the Nordic and Baltic countries, Russia and the factory in China with manufacturing and purchasing. In Sweden, development, manufacturing, and sales are conducted, while all other markets, with the exception of China, conduct sales operations only.

	2011	2010
Sales, MSEK	1,624.4	1,586.3
of which internal sales	*(302.2)*	*(332.3)*
Operating profit, MSEK	120.0	57.6
Sales growth, %	2.4	−0.3
Sales growth currency-adjusted, %	4.1	1.9

Fig. 4

SHARE OF GROUP SALES



More on 2011 in the Administration Report on page 55.

BUSINESS AREA

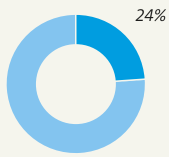
UK, IRELAND, AND THE MIDDLE EAST

Units in England, Ireland, and the United Arab Emirates. The dominant unit is Whitecroft Lighting, which develops, manufactures and sells lighting systems. Other units conduct sales operations. Designplan Lighting was added during the second quarter.

	2011	2010
Sales, MSEK	743.9	631.2
of which internal sales	*(3.5)*	*(5.8)*
Operating profit, MSEK	69.6	54.9
Sales growth, %	17.9	−7.4
Sales growth currency-adjusted, %	26.3	−0.7

Fig. 5

SHARE OF GROUP SALES



More on 2011 in the Administration Report on page 55.

BUSINESS AREA

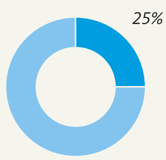
OTHER EUROPE

Units in Germany, Holland, France, Spain, Poland and Austria. The dominant unit is LTS Licht & Leuchten GmbH, which engages in the development, manufacture and sale of lighting systems. Other units conduct sales operations.

	2011	2010
Sales, MSEK	753.1	409.3
of which internal sales	*(0.9)*	*(0.2)*
Operating profit, MSEK	124.2	26.3
Sales growth, %	84.0	23.5
Sales growth, currency-adjusted, %	94.7	36.5

Fig. 6

SHARE OF GROUP SALES



More on 2011 in the Administration Report on page 55.

BUSINESS AREA

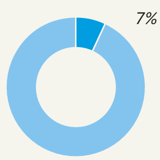
ASIA AND AUSTRALIA

The business area is comprised mainly of operations in Australia, where both manufacturing and sales operations are conducted. In addition, operations in China refer to sales on the Chinese market.

	2011	2010
Sales, MSEK	208.0	216.9
of which internal sales	*(0.0)*	*(0.0)*
Operating profit, MSEK	19.0	28.3
Sales growth, %	−4.1	49.7
Sales growth currency-adjusted, %	−5.7	36.0

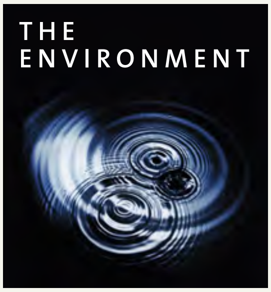
Fig. 7

SHARE OF GROUP SALES



More on 2011 in the Administration Report on page 55.

LONG TERM VALUE FOR THE ECONOMY, THE ENVIRONMENT, AND PEOPLE

	OUR MAIN GOALS	OUR STRATEGIES
THE ECONOMY 	• Growth in the existing markets • Growth within the Retail Lighting sector • Growth within the Outdoor Lighting sector • Maintain market leadership in the Nordic countries • Reach a position within the top three in all other markets and product areas in which we are active	• Proactive efforts towards becoming one of the industry leaders • Increased internationalisation • Deep customer insight as a basis for everything we do • Increased focus in order to develop innovative solutions within new technologies • Strengthen our work with the brands • Transition from selling products to selling complete solutions • Decrease costs by identifying more synergies within manufacturing and purchasing • Grow both organically and through acquisitions
THE ENVIRONMENT 	• Reach CO_2 neutral production • Continually decrease the Company's total energy consumption per manufactured fitting • Contribute to a better environment through offering customers lighting solutions with lower energy consumption	• Continually develop more energy-efficient fittings and systems • Increase employee and customer awareness of the environmental impact of lighting solutions • Optimise raw material consumption and energy consumption in our factories • Optimise our choice of materials through comparing the environmental impact and taking transport into account • Long-term cooperation with our suppliers
PEOPLE 	• Contribute to good social development through lighting solutions which increase people's well-being • Create positive working conditions for our employees, regardless of country • Develop Fagerhult as an attractive employer	• Increase knowledge about the importance of light and promote interest in Fagerhult's solutions by participating in various collaborations with universities and higher education institutions • Participate in activities within the community with affiliated organisations, industry organisations, and authorities • Strive for an equal standard in our international operations as in our Swedish operations as regards working environmental protection, terms of employment and working conditions and preventative health care • Inform our suppliers of Fagerhult's requirements as regards working conditions and human rights • Focus on leadership development • Work to further employees' internal career opportunities

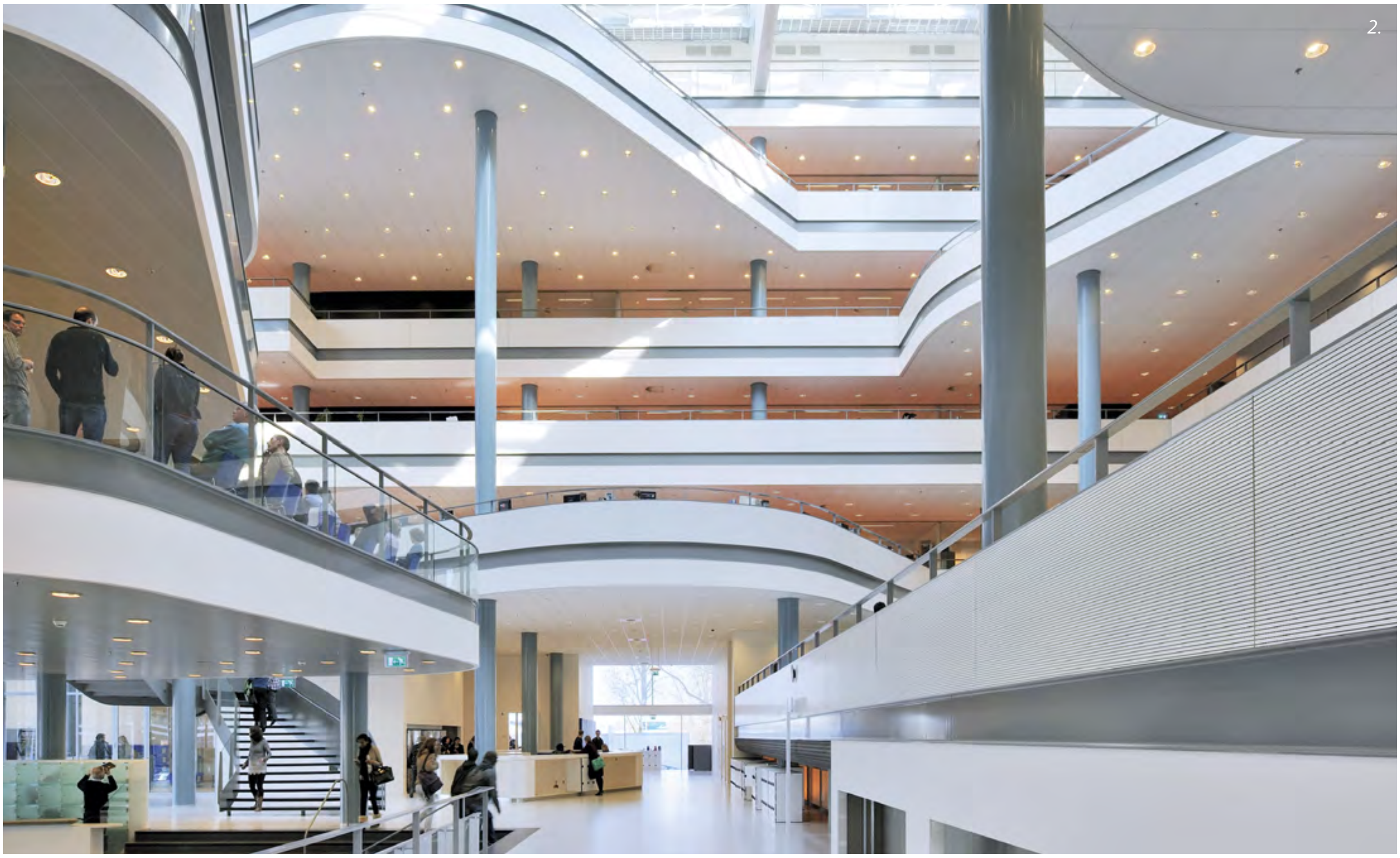
Sustainability and long-term thinking are important concepts for Fagerhult. We are known for our stable finances and have, thus far, never had a year in which we have reported losses. But when we set our goals and establish our strategies, we are also very aware of the fact that sustainability implies that we must take responsibility for the manner in which we affect the environment and society as a whole. This is why we are striving to ensure that our sustainability work permeates all levels of the Company. Here, we describe our most important goals, our strategies and achievements during the year, viewed from an economic, environmental and societal perspective. For more detailed information, see the separate report at www.fagerhultgroup.com/sustainability.

WHAT WE ACHIEVED IN 2011	PRIORITIES FOR 2012
• Acquired the British company, Designplan • Gained market shares in several important markets. After adjustments for currency effects and acquisitions, orders increased by 8.7 percent during 2011 • Won the prestigious Red Dot Award for the Wrap fixture • Strengthened the positions of Fagerhult's products in the German market, with LTS Licht & Leuchten as a platform • Continued work on the technological transition towards LED lighting, including the launch of the Pleiad G3, Multilume Flat and Freedom fixture series	• Continued focus on work with the brands • Deepen customer insight through understanding our customers' needs and how we can best meet them • Continued work with the technology shift to LED lighting • Continued cost control • Further refine our already excellent delivery capacity to clients • Clarify our innovation strategy based on our work with customer insight
• Fagerhult's Swedish facilities continued to purchase electricity produced via hydropower, which is a renewable source • Continued the dialogue with Fagerhult's stakeholders, both externally and internally	• Continued development of more energy-efficient fittings and control systems • Continued work with the technology shift towards energy-efficient, mercury-free LED lighting with long life spans • Environmental certification of our products
• Continued work on Group-wide employee surveys and implemented a local survey in China • Implemented and strengthened Fagerhult's Talent Management programme which was launched in 2010. A major mapping has been undertaken to establish the manner in which all the managers' might work with the programme, in order to identify the best means by which Fagerhult can offer support. This includes the work on Fagerhult's core values and code of conduct • Won the Employer of the Year 2011 award in Jönköping, where the Fagerhult Group is one of the largest employers in the region, for the Group's CSR work	• Ensure that the Group's code of conduct is continually developed in line with Fagerhult's demands on the external environment and our own operations • Continued work to strengthen Fagerhult's value-driven culture through, among other things, the Talent Management programme • Continued focus on leadership development

IN DOOR

Different environments require different kinds of lighting. Office staff need both a pleasant atmosphere and good work-place lighting; in an industrial premises, light may play an important part in the employees' security; and, in schools, the right lighting can create better conditions for learning. In hospitals, the lighting system must also meet high requirements with regard to hygiene. At Fagerhult we always tailor our lighting solutions to the unique needs of each customer. On the following pages, we present some of our solutions within the product area Indoor Lighting.

1.



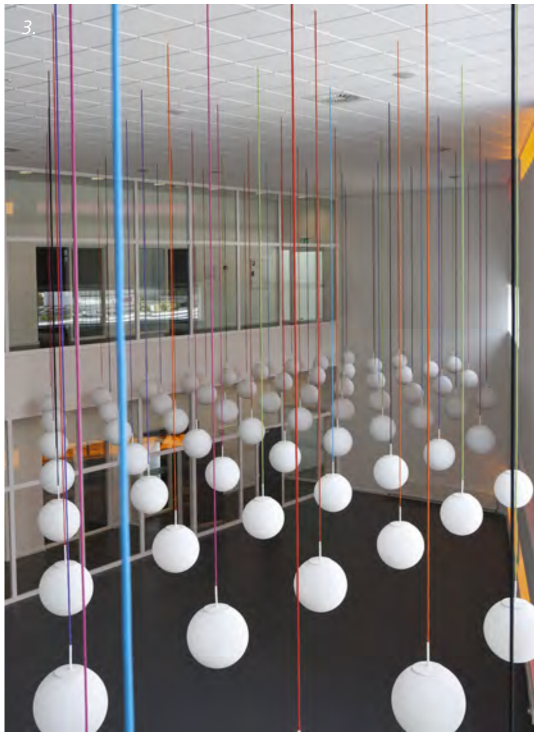
2.

MODERN TECHNOLOGY FOR MODERN EXPERIENCES

1. The home of a symphony orchestra should, naturally, be illuminated with a symphony of light. The new Helsinki Music Centre was opened in August 2011 and is, today, the base for the Helsinki Philharmonic Orchestra, the Finnish Radio Symphony Orchestra and the Sibelius Academy, which is the only music university in Finland. The lighting environment was required to both emphasise the building's creative atmosphere and to meet high technical requirements. Fagerhult's solution for general lighting included 1,200 powerful downlights from the series Pleiad Comfort, in addition to a customised solution with illuminated lines created from the energy-effective Basic T5, following wall surfaces and corridors and emphasising the architecture.

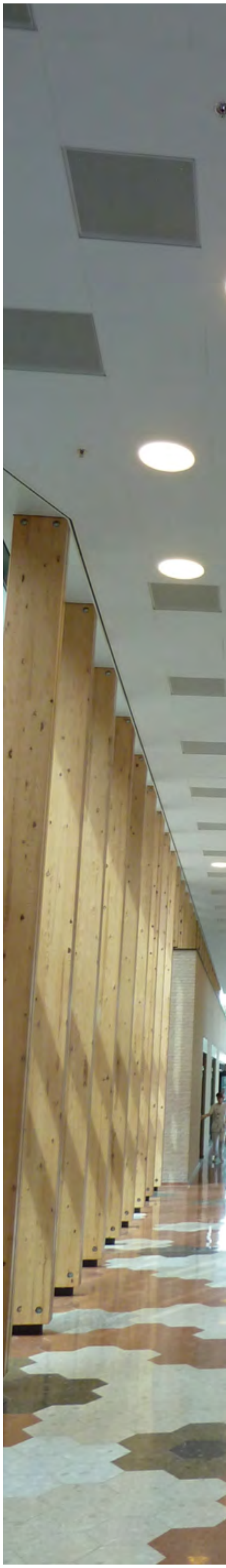
2. In Beta Wetenschappen, the Faculty of Science at the University of Utrecht in the Netherlands, students in the departments of chemistry and biology literally walk on light. The floor in the central hall was created in glass and concrete by architect Herman Hertzberger, and with Fagerhult's lighting solution the floor appears almost luminous. Work was completed in March 2011. Today, 1,850 Notor fixtures, 1,200 Pleiad and 1,000 Recesso provide the students with an illuminating experience every day.

3. Learning and lighting are linked. The right levels and balance of light in the classroom lead to better study performance, well-being and an improved daily rhythm. A pioneering study implemented by Fagerhult in 2011 at a school in London, together with Lund University and London City University, showed that pupils' performance was influenced positively when light levels were sufficiently high and there was a good balance between direct and indirect light. Fagerhult will undertake further research in this area in 2012, this time with Swedish sixth-form college students, to investigate whether traditional lighting and LED have different effects. The picture shows an artistic ceiling solution at Herningsholm Gymnasium in Denmark.



3.

1.



2.

3.

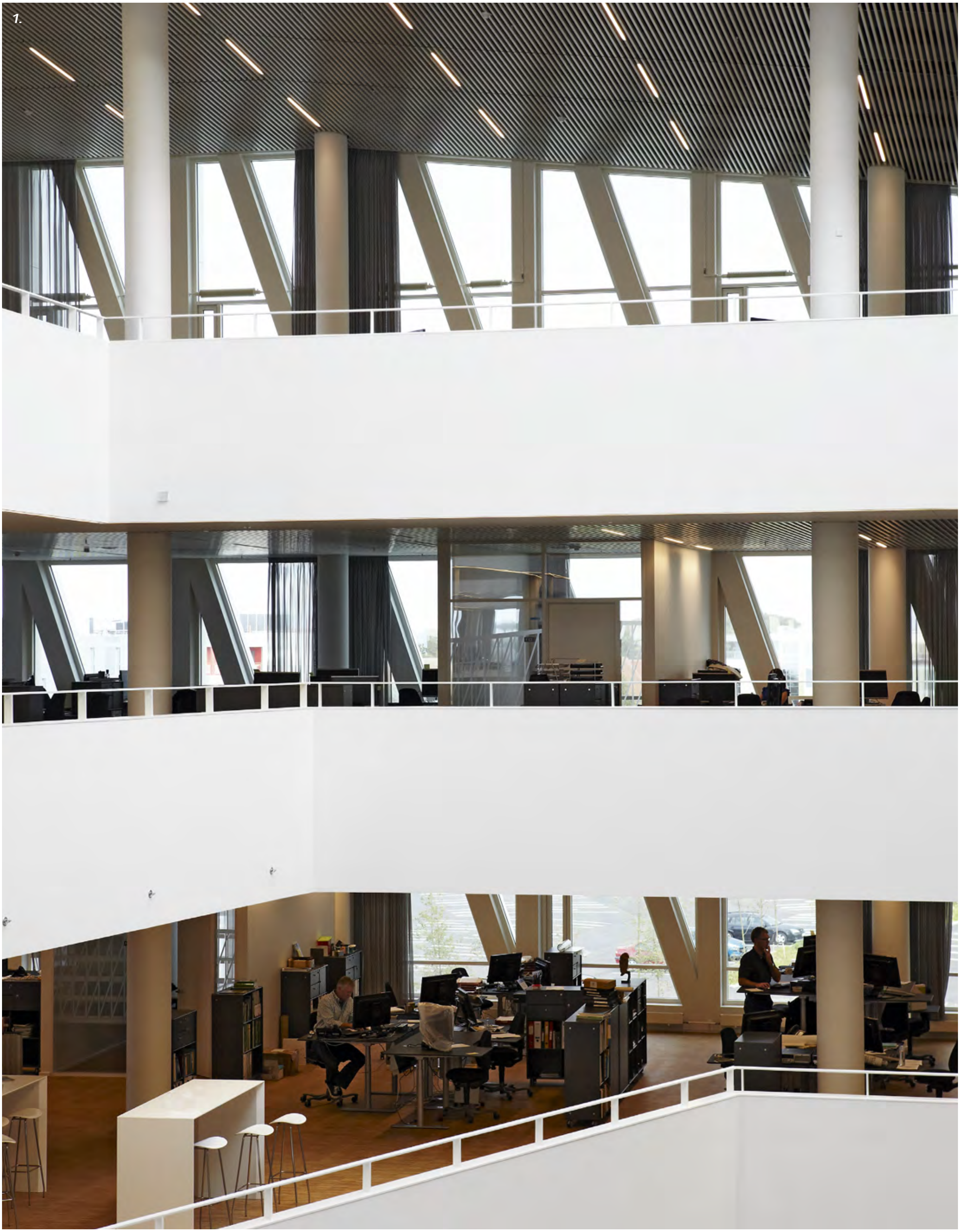
UNIQUE NEEDS, UNIQUE SOLUTIONS

1. Every customer has their unique needs. Sometimes large-scale solutions are needed, at other times the environments are smaller and more intimate. Fagerhult's wide range of products covers all needs, right down to the smallest details. One good example is Wall, designed by Claesson Koivisto Rune. It is a complete series of wall lights in which the guiding concept has been precision in every little detail. The angles melt seamlessly together to produce a pure, classic design, providing light effects which work in many different environments.

2. The high demands which hospital environments place on hygiene also naturally apply to lighting solutions. When the new Jeroen Bosch hospital in Hertogenbosch, the Netherlands, was searching for a lighting supplier, they chose Fagerhult. Our experience of the requirements regarding time, knowledge and planning involved in providing lighting for an entire hospital of 170,000 square metres was a major asset. The hospital was opened in April 2011 and is, today, illuminated by no fewer than 28,000 Fagerhult fixtures. An important element in the solution is Multilume Hydro, which not only meets the requirements for excellent work-place lighting but is also easy to maintain and clean.

3. Elmiahallen in Jönköping, often referred to as Tipshallen, houses Sweden's first full-scale indoor football pitch. Illuminating the 100 x 60 metre playing surface from a ceiling height of 16.5 metres places quite a demand on the lighting solution. Fagerhult's energy-effecient and environmentally certified fixture Excis makes the lighting environment both adaptable and energy-efficient.

1.



2.

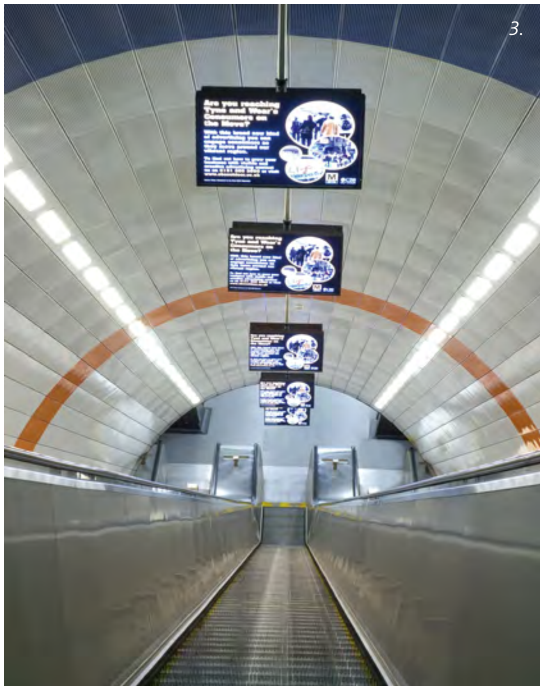
ENDURING SOLUTIONS

1. In the Danish town of Viborg, a modern new town hall has been under construction since 2011. It is intended to be a meeting place for the town's citizens and other visitors. This is the first Danish office building which is expected to be able to reduce its energy consumption to 50% of the current guidelines. Smart lighting systems form an important part of meeting this energy target. Inside the building, a specially adapted design allows the Fagerhult Ray fixture to blend imperceptibly into the interior – it is visible only when lit, as if some parts of the ceiling had become luminous.

2. The design group, Form Us With Love, has designed the adjustable and versatile Ogle fixture for the Fagerhult-owned Ateljé Lyktan. Ogle is not only slightly futuristic in its appearance, its technology also makes it very much a product for the future. The LED technology guarantees both longevity and energy-efficiency. The picture demonstrates how Ogle creates the modern atmosphere in Das Neue Café Kubitscheck in Munich.

3. The acquisition of the British company, Designplan, at the beginning of 2011, opened up a new market segment for Fagerhult – demanding environments. These involve lighting solutions in which the surroundings place specific requirements regarding, for example, safety and durability, such as public transport and prisons. Designplan is the UK market leader in this segment and has approximately 180 employees. Together with Fagerhult's current offering, Designplan is now able to reach a completely new international arena. Paul Williamson, Designplan's CEO, points out that demanding environments are a future niche:

"As more and more people move to urban environments, the need for public transport will increase. Our products are perfectly suitable for environments in which solutions need to be robust, easy to maintain and durable. They are ideal for train stations and underground stations," says Paul Williamson.



3.

OUT DOOR

Long, light summer nights, followed by long, dark winter mornings. Over the years, the Nordic light has taught us that with the right type of lighting, outdoor environments can be perceived as safe and beautiful, regardless of seasonal changes or the time of day. Fagerhult's understanding of how humans react to light outdoors and knowledge about the new technical solutions come together in our product area Outdoor Lighting. We will provide more detail about some of our exciting projects on the following pages.


1.

1. What will it look like when everything is ready? In many projects, it is important to have the support of various target groups for the solutions. When, for example, a residential area is being planned, many parties with no prior knowledge about light are involved. In order to visualise the end result, Fagerhult frequently uses thorough renderings, a type of computer simulation. The plan is then suddenly transformed from words and figures into environments which help town planners to see the end result. It is also possible to see the effect of energy-saving measures, such as dimming lights at night, in other words adjusting the level of light according to the amount of evening or night ambient light. In this picture we show what the LED solution Azur's street lighting and lampposts would look like in a modern residential area.

2. LED not only provides benefits in the form of energy savings, it also opens the way for new creative solutions. The picture presents the way in which Rotating LED Tube, thanks to its transparent ends, provides an even and pleasant light effect, as they can be linked together without shadows appearing between the fixtures. The building illuminated here is a private palace, Palazzo Alberini, in Rome.

3. Väla Centrum in Helsingborg is one of the largest shopping centres in Sweden, with approximately 8 million visitors per year. In 2011, work began on a new, large extension of 20,000 square metres, for which Fagerhult had tailored intelligent solutions both indoors and outdoors. Rondo street lamps, Focus spotlights, Parkline street lamps and Jet, Eos and Blitz fixtures together ensure that the extension is surrounded by a welcoming and safe lighting environment at all hours.

2.

3.

1.

LIGHTING IN THE PUBLIC EYE

1. In the centre of the Norwegian port of Bergen, the city's cathedral, an impressive building from the 13th Century, rises up. In 2010, Fagerhult supplied new façade lighting. The Focus fixture emphasises the mediaeval language of the design, while the use of modern technology brings the church into the 21st Century.

2. At times, the architecture itself may require something more than an ordinary, integrated ground fixture. To emphasise the curved design of a concrete wall in Helsingborg, Fagerhult came up with a solution using the built-in Jet fixture. It is shaped like a small bollard, but it is every bit as effective as a ground fixture. At the same time, the large surfaces are better accentuated.

RE
TAIL

Successful retail companies know the importance of building strong brands. People shop with their senses wide open, and their experience in the shop is crucial for sales. We have extensive experience of the manner in which light impacts shopping behaviour and of the importance of finding creative solutions. In addition, our smart solutions reduce electricity bills and do not damage the environment. On the following pages, we present some of our projects in the product area Retail Lighting.

SPECTACULAR EFFICIENCY

The Swedish street-style shop Junkyard makes most of its sales online, but when the flagship store in Trollhättan needed a makeover, they entrusted Fagerhult with the task. The aim was to create a complete store concept in the 600 square metre premises. Order and structure do not play a prominent role in the Junkyard world, which is why creative chaos was our inspiration. Apparently random spot lights in the ceiling and blue LED strips on the walls create an effect and a feeling. Catwalk Maxi was placed in a track above the skateboard ramp in the centre of the premises to accentuate the effect, and the changing rooms were equipped with mirrors with integrated Thinlite. The end result is a perfect example of the manner in which good lighting contributes to strengthening the brand, at the same time allowing the products to take the leading role.

1.

2.

SHINING A LIGHT ON THE RIGHT THINGS

1. Less is sometimes more. When the French kitchen manufacturer, Hygena, wanted to replace the existing LED solutions in their 140 stores, Fagerhult developed a new, more energy-efficient solution which reduced the amount of fixtures by half. The secret lay in a smarter lighting design which directed the light correctly and highlighted important areas. At the same time, the effect of the lighting actually increased by 30 per cent as a result of more modern technology. A feeling of homeliness was achieved through the use of a number of decorative hanging overhead lamps from Fagerhult's range.

2. The international children's fashion chain, L' Atelier de Courcelles, wanted their products to stand out in architecturally challenging premises in Milan without having to sacrifice their minimalism and style. Fagerhult found a solution to the problem by using fixtures which spread the light at a number of different angles, providing a good mix of accent lighting and general lighting. Great importance was also placed on achieving the right colour temperature. The result was so successful that the customer wishes to continue the cooperation. Some twenty stores are planned up to 2013.

3. A lighting solution which creates a luxurious and spectacular feeling but which is, at the same time, energy-efficient, sustainable and in principle invisible – is that possible? Absolutely. When the exclusive lingerie brand, Boux Avenue, opened a store in the UK, Fagerhult's Pleiad Power Flex created intimate environments which encourage the customer to linger and look further through the products. In the display window, the Catwalk fixture series places the products in the starring role, and in the changing rooms, Thinlite T5, together with Pleiad Comfort and the halogen Easy Spotlights allow the customer to choose light settings resembling day, twilight or night.


3.

EMPLOYEES

Customer insight, performance culture and innovative power. These are the driving forces uniting employees throughout the entire Fagerhult Group. The skill, knowledge and commitment of our employees are important elements for our success. For this reason, we are working hard to develop the Fagerhult brand as an employer. Read more about our views on employees on the following pages.

The fact that Fagerhult is a knowledge-based company is evident in everything we do. We owe much of our success to our committed employees. It is, therefore, of great strategic importance to provide them with the best conditions to do their job. At the same time, we are a large Group with over 2,000 employees and with operations in many parts of the world. Maintaining our strong, unified Fagerhult culture requires us to work constantly in a structured manner in order to nurture and strengthen our common core values: customer focus, performance culture and innovative power. These values permeate everything we do, from business processes to individual development plans. In order to ensure this, our work with the employees in the Fagerhult Group is based on three foundation stones.

AN EYE FOR TALENT

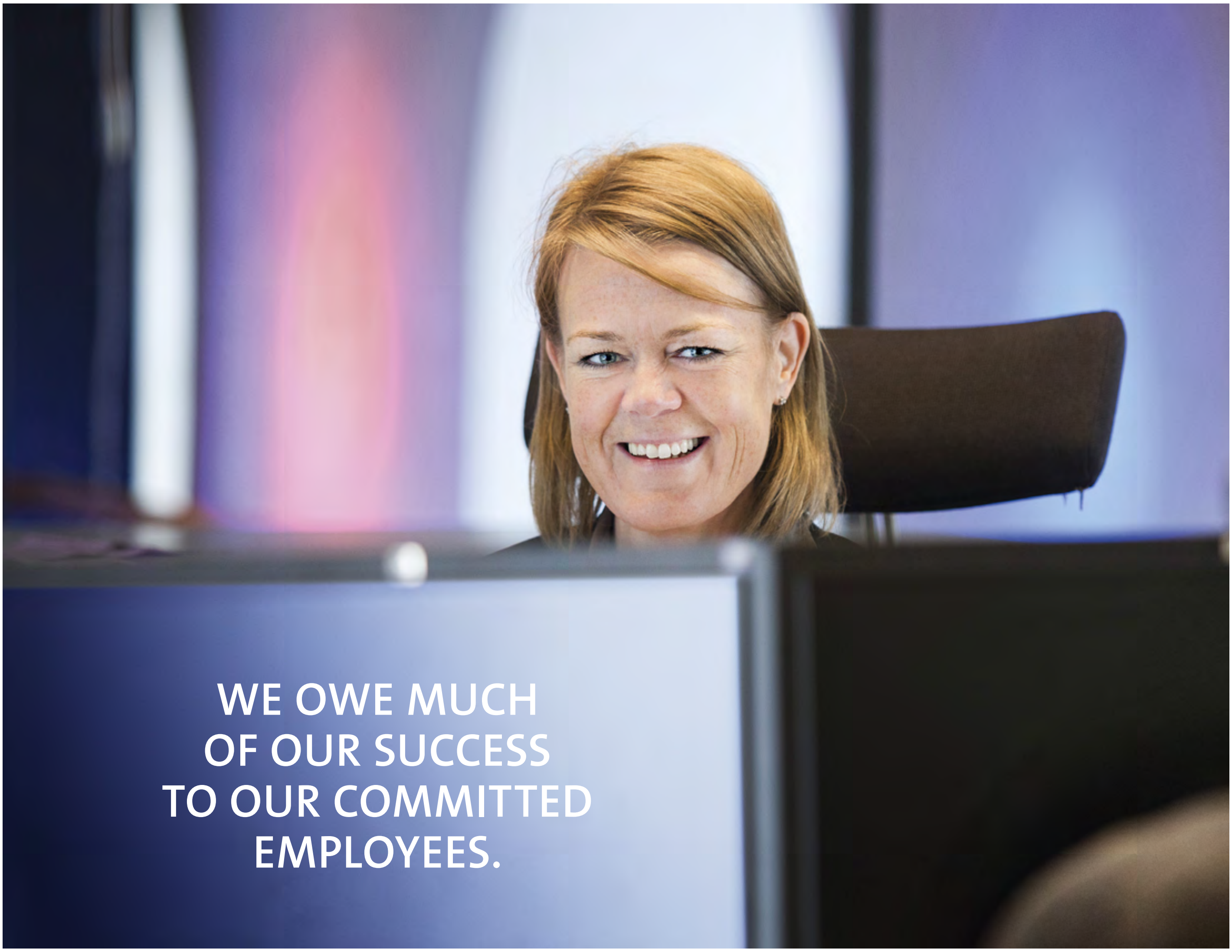
Securing competence development is one of the most important foundation stones. We want to both maintain our skilled employees and attract new talents. Students are an important target group for recruitment. That is why we cooperate with universities and higher education institutions in a number of ways and through a variety of educational programmes, including mentorship programmes.

We also believe strongly in knowledge sharing and, among other things, we encourage our employees to apply for jobs in other parts of the company, to give them the opportunity both to develop as individuals and to give them as much of an insight as possible into our complex flow of products and services.

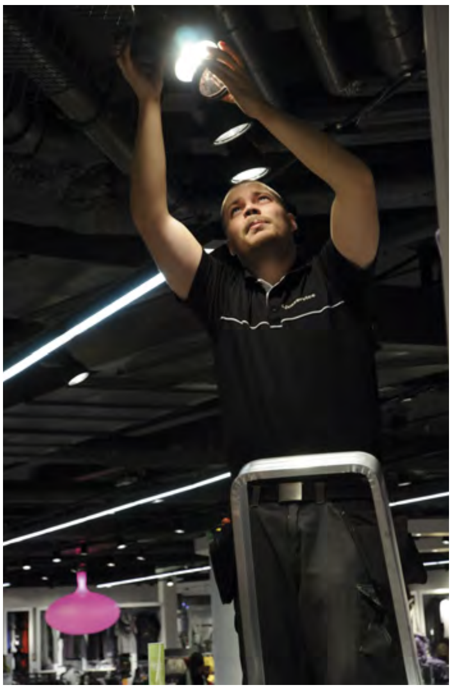
AN ENVIRONMENT FOR PERSONAL DEVELOPMENT

The second foundation stone in the way we regard our employees is competence development. Knowing that there are opportunities for individual development is an important driving force behind the willingness to stay in a job for a long time. That is why we encourage internal flexibility – with operations in approximately 20 countries, we are almost our own small labour market, with great opportunities for new challenges. At the same time, this benefits the Group: internal flexibility encourages knowledge sharing, promotes networking and provides valuable experience.

Our aim is that all positions within the Group should be advertised via the Intranet, in order to encourage current employees to apply. To make it easier for our employees in China to apply, we also offer training in our Group language, English. Regular, structured performance reviews are another way of monitoring the development of each individual. Our knowledge hub, Fagerhult Lighting Academy, which is described on page 17, also plays an important role in the manner in which our employees' competence can be developed within the various companies of the Group.


WE OWE MUCH
OF OUR SUCCESS
TO OUR COMMITTED
EMPLOYEES.


ET.250



GOOD LEADERS MAKE A DIFFERENCE

The third foundation stone is leadership. Good management can reinforce the Fagerhult culture by always taking the Group's core values as the starting point. This is why we place a strong emphasis on the training and development of our managers. Among other things, we produce leadership development plans with the emphasis on activities which focus on the development and future supply of managers. In 2011, in conjunction with a Group management conference, we also arranged a major workshop entitled Culture Valued Leadership. The Fagerhult culture is guided by our core values, but in order to fully achieve our objectives, we also need to have effective procedures and processes in place. During 2011, we continued to develop our Talent Management programme, which was initiated in 2010. Our aim is to be clear as to what we expect from our employees, and to ensure that we work in the right manner to find the right person for each task. That is why we have, in the past year, looked into how well-equipped our various managers are to work with Talent Management, in order to be able to provide them with the right support to succeed in their tasks. In the future, such an inventory will take place every year.

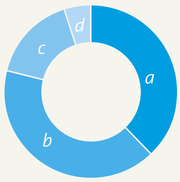
FAGERHULT AND RESPONSIBILITY

Acting responsibly, both as a company and as individuals, is central to us. Fagerhult's guidelines for this are detailed in our Code of Conduct, which everyone in the Group is expected to follow. The Code describes, for example, our view on working relationships, diversity and equal opportunity. It also contains guidelines on the manner in which we should behave with regard to donations, corporate hospitality and sponsorship. In addition, the Code also describes our approach to environmental responsibility, and our stance regarding the differences in the laws, statutes and agreements influencing our business activities in the different countries in which we operate. We also inform our business partners of our Code of conduct and expect them to follow this Code.

No-one should be in danger in our manufacturing process. It goes without saying that our employees should have healthy working conditions. Adequate health care and good preventative health measures are important factors for our success, above all for our employees in the factories. Every year we arrange a variety of training courses to reinforce our work with health and safety. For more information, please see Fagerhult's sustainability report which is available at www.fagerhultgroup.com/sustainability.

Fig. 8

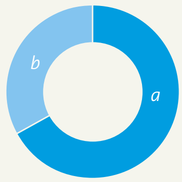
NUMBER OF EMPLOYEES PER GEOGRAPHICAL MARKET



a) Sweden: 38%	*b)* Europe: 41%
c) Rest of the world: 16%	*d)* Other Nordic countries: 5%

Fig. 9

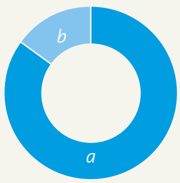
EMPLOYEES BY GENDER



a) Men: 67%	*b)* Women: 33%

Fig. 10

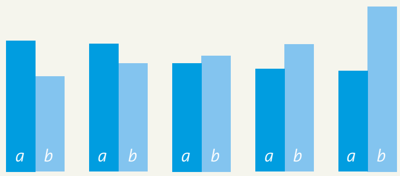
BOARD AND SENIOR MANAGEMENT BY GENDER



a) Men: 85%	*b)* Women: 15%

Fig. 11

AVERAGE NUMBER EMPLOYED



Year	2007	2008	2009	2010	2011
a) Sweden	1,098	1,071	909	860	844
b) Abroad	798	907	972	1,066	1,384

AB Fagerhult was listed on the Stockholm Stock Exchange in 1997 and was previously on the O-List. The Fagerhult share has been traded on Nasdaq OMX, Nordic Exchange, Mid Cap list, Industrial Sector since 1 October 2006. A trading unit consists of 1 share. The abbreviated name is FAG and the ISIN code is SE0000379844.

SHARE CAPITAL

Fagerhult's share capital amounts to MSEK 65.5 (65.5), distributed among 12,850,000 shares, with a quotient value of SEK 5.10 per share. The number of owned shares held by the Company amounts to 238,000, at a quotient value of SEK 1,213,800. All outstanding shares have the same amount of the Parent Company's assets and profit, and are fully paid. Each share entitles one vote.

LIQUIDITY WARRANTY AGREEMENT

An agreement has been reached with Carnegie in order to support the liquidity of the Fagerhult share within the boundaries of the Stockholm Stock Exchange system for liquidity warranties.

DIVIDEND AND DIVIDEND POLICY

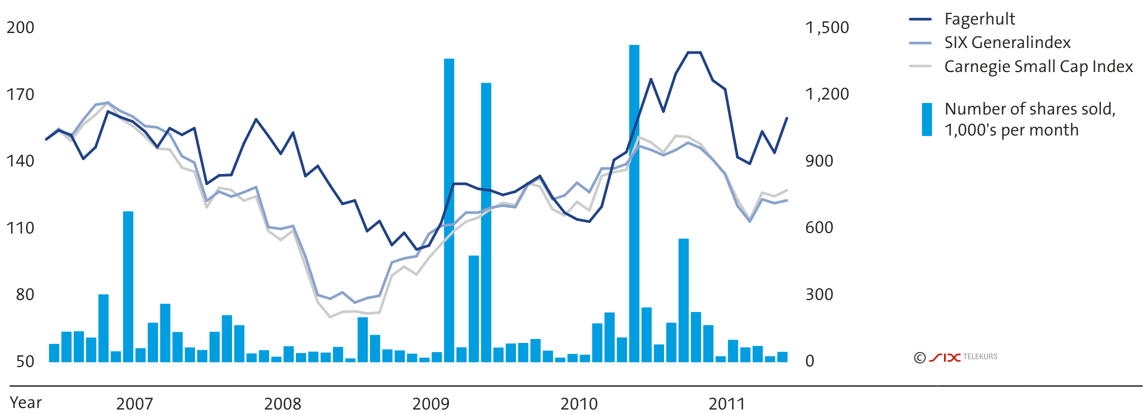
AB Fagerhult's long-term goal is to distribute dividends corresponding to 30–50 percent of the Group's net income. At this dividend level, the Board of Directors considers itself to have satisfactory cash flow for the financing of expected future developments. The Board of Directors proposes a dividend of SEK 6.50 (3.50) per share to the Annual General Meeting, corresponding to a yield of 4.1 percent on the share price, as of 31 December 2011.

ACQUISITION OF OWN SHARES

At the Annual General Meeting held on 28 April 2011, it was resolved that the Company would have the possibility to acquire its own shares. This opportunity was not utilised during 2011. The number of outstanding shares amounts to 12,612,000. The Board of Directors proposes that the Annual General Meeting grant the Board continued authorisation to acquire the Company's own shares until the next Annual General Meeting.

Fig. 12

FAGERHULT SHARE'S FIVE YEAR OVERVIEW



SHARE TURNOVER

Year	2007	2008	2009	2010	2011
Number of shares sold, million	2.1	0.9	3.7	2.4	1.7
Share turnover value, MSEK	321	123	451	325	297
Average number of shares sold per trading day	8,593	3,539	14,558	9,294	7,150
Average value per trading day, TSEK	1,293	486	1,798	1,284	1,231
Turnover rate, %	17	7	28	19	14
Maximum price paid during the year, SEK	164.50	164.00	135.50	161.00	193.00 1)
Minimum price paid during the year, SEK	134.00	110.50	99.50	106.50	130.00 2)

1) Paid 22 June 2011 2) Paid 8 August 2011

DATA PER SHARE

Year	2007	2008	2009	2010	2011
Profit per share, before dilution, SEK	10.69	14.62	5.87	7.49	16.43
Dividend per share, SEK	4.50	5.50	3.00	3.50	6.50 1)
Share price as per 31 December, SEK	155	121	127	161	160
Yield, %	2.9	4.6	2.4	2.2	4.1
Equity per share, before dilution, SEK	47.80	56.00	56.88	57.25	70.76
Cash flow per share before dilution, SEK 2)	12.84	17.22	17.06	8.59	19.89

1) Proposed dividend 2) Cash flow from operating activities

OWNER STRUCTURE (AS OF 31 DEC 2011)

Shareholder	Number of shares	% of capital and votes
Investment AB Latour	3,976,800	30.9%
SÄKI AB	2,200,000	17.1%
The Svensson family, foundation and company	945,525	7.4%
SSB CL Omnibus AC, USA	629,209	4.9%
Lannebo Fonder	577,354	4.5%
Robur Småbolagsfond	540,659	4.2%
SEB Asset Management	400,000	3.1%
Fourth Swedish National Pension Fund	384,113	3.0%
Fondita Nordic Micro Cap SR, Finland	299,200	2.3%
The Palmstierna family	285 770	2.2%
Handelsbanken Svenska småbolagsfond etc	269,321	2.1%
Stiftelsen Stockholms Sjukhem	200,000	1.6%
Other shareholders with 10,000–100,000 shares, 27	885,070	6.9%
Other shareholders with 1,000–10,000 shares, 163	427,016	3.3%
Other shareholders with up to 1 000 shares, 3,187	591,963	4.7%
AB Fagerhult, re-purchased shares	238,000	1.9%
Number of shares at the end of the financial year	**12,850,000**	**100.0**

THE BOARD OF DIRECTORS


JAN SVENSSON


ERIC DOUGLAS


ANNA MALM BERNSTEN


BJÖRN KARLSSON


EVA NYGREN


FREDRIK PALMSTIERNA


JOHAN HJERTONSSON


MAGNUS NELL


LARS OLSSON


PER WIKSTRÖM


LARS-ÅKE JOHANSSON

THE BOARD OF DIRECTORS

JAN SVENSSON

Chairman of the Board.
Born 1956.
Mechanical engineer; MSc. Business and Economics. CEO and Board Member of Investment AB Latour. Chairman of the Board of Oxeon AB and Nederman Holding AB. Board Member of Tomra Systems ASA. Board Member of AB Fagerhult since 2007.
Shares in AB Fagerhult: 3,000

ERIC DOUGLAS

Deputy Chairman.
Born 1968.
Economics studies. Economics Business for Entrepreneurs at Lund University. Self-employed since 1992. Partner in Pod Venture Partners. Chairman of the Board of Sparbössan Fastigheter AB. Deputy Chairman of LinkTech AB. Board member of Investment AB Latour and Latour Industrier AB, among others. Board member of Fagerhult since 1993.
Shares in Fagerhult: 40,000

ANNA MALM BERNSTEN

Born 1961.
MSc. Engineering.
Own consultancy operations within management and business development. Board member of Scientific Solutions. Board member of Cellavision AB, Nolato AB, Matrisen AB, Birdstep ASA and Medivir AB. Board member of Fagerhult since 2003.
Shares in Fagerhult: 3,000

BJÖRN KARLSSON

Born 1961.
Master of Business Administration, MBA. CEO of Lecrima AB and Ekhammars Lantbruk AB.
Board member of Skaraborgsmäklaren AB and Ekhammars Lantbruk AB. Board member of Fagerhult since 1997.
Shares in Fagerhult: 32,324

EVA NYGREN

Born 1955.
MSA, Architecture. CEO of SWECO Sverige AB. Board member of Fagerhult since 2004.
Shares in Fagerhult: 0

FREDRIK PALMSTIERNA

Born 1946.
Master of Business Administration, MBA. CEO in Investment AB Latour. Board member of Securitas AB, Hultafors AB, Nobia AB and Academic Work AB. Board member of Fagerhult since 1992.
Shares in Fagerhult: 285,770

JOHAN HJERTONSSON

Born 1968.
CEO.
MSc .Business and Economics.
Board member of Nord-Lock International AB. Board member of Fagerhult since 2009.
Shares in Fagerhult: 25,000
Call options: 28,000

MAGNUS NELL

Born 1964.
Employee representative.
Shares in Fagerhult: 0

LARS OLSSON

Born 1949.
Employee representative.
Shares in Fagerhult: 200

PER WIKSTRÖM

Born 1969.
Deputy employee representative.
Shares in Fagerhult: 0

LARS-ÅKE JOHANSSON

Born 1961.
Deputy employee representative.
Shares in Fagerhult: 0

MANAGEMENT

JOHAN HJERTONSSON

CEO

HÅKAN GABRIELSSON

Financial Director

PAUL BARTON

Regional Director

ANDERS FRANSSON

Head of Operations

ELISABETH BACK

Head of Products & Brands

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FIVE YEAR OVERVIEW

Profit loss items (MSEK)	2007	2008	2009	2010	2011
Net sales	2,527	2,770	2,436	2,506	3,023
(of which outside Sweden)	(1,651)	(1,919)	(1,735)	(1,805)	(2,294)
Cost of goods sold	–1,705	–1,835	–1,672	–1,737	–2,013
Gross profit	**822**	**935**	**764**	**769**	**1,010**
Selling expenses	–451	–508	–498	–475	–534
Administration expenses	–187	–170	–172	–155	–185
Other operating income	13	15	10	14	26
Other operating expenses					
Operating profit	**197**	**272**	**104**	**153**	**317**
Financial income	21	34	16	17	10
Financial expenses	–28	–46	–15	–35	–42
Profit after financial net	**190**	**260**	**105**	**135**	**285**

Balance sheet items (MSEK)					
Intangible assets	459	430	475	928	1,008
Tangible fixed assets	279	289	320	350	344
Financial fixed assets	20	24	19	21	21
Inventories, etc.	379	353	302	436	453
Accounts receivable	409	391	363	448	540
Other current assets	36	33	40	79	105
Cash and cash equivalents	132	200	197	208	306
Total assets	**1,714**	**1,720**	**1,716**	**2,470**	**2,777**
Equity	601	706	717	722	892
Pension debts	39	41	42	42	47
Deferred income tax liabilities	59	58	55	63	65
Other long-term interest-bearing liabilities	460	431	459	1,006	1,169
Other long-term non-interest-bearing liabilities	7		9		
Short-term interest-bearing liabilities	57	50	2	115	29
Short-term non-interest-bearing liabilities	491	434	432	522	575
Total equity and liabilities	**1,714**	**1,720**	**1,716**	**2,470**	**2,777**

Key ratios and data per share					
Sales growth, %	16.9	9.6	–12.1	2.8	20.6
Growth in operating profit, %	108.2	37.9	–61.7	46.7	107.5
Growth in profit after net financial income/expense, %	129.7	36.7	–59.7	28.6	111.7
Operating margin, %	7.8	9.8	4.3	6.1	10.5
Profit margin, %	7.5	9.4	4.3	5.4	9.4
Liquid ratio, %	24	41	45	33	51
Debt/equity ratio	0.9	0.7	0.7	1.6	1.4
Equity/assets ratio, %	35	41	42	29	32
Capital employed, MSEK	1,158	1,228	1,220	1,885	2,137
Return on capital employed, %	20.5	25.7	9.8	11.0	16.3
Return on equity, %	23.8	28.2	10.4	13.1	25.7
Net debt, MSEK	424	322	305	955	939
Net investment in fixed assets, MSEK	85	104	90	83	66
Depreciation of fixed assets, MSEK	62	63	75	84	89
Number of employees	1,896	1,978	1,881	1,926	2,228
Shareholders' equity per share, SEK	47.80	55.98	56.88	57.25	70.76
Earnings per share, SEK	10.69	14.62	5.87	7.49	16.43
Dividend per share, SEK	4.50	5.50	3.00	3.50	6.50[1]
Cash flow per share, SEK	12.84	17.22	17.06	8.59	19.89[2]
No. of outstanding shares, thousands	12,583	12,612	12,612	12,612	12,612
Average number of remaining shares, thousands	12,629	12,596	12,612	12,612	12,612

[1] Proposed dividend. [2] Cash flow from the ongoing operations

The Board of Directors and CEO for AB Fagerhult (publ), Corporate Identity Number 556110-6203, hereby present the Annual Report for the Group and the Parent Company for the year 2011.

OPERATIONS

The Fagerhult Group is Scandinavia'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 20 countries and manufacturing facilities in Europe, China and Australia.

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

CHANGES IN THE GROUP

During 2011, the Group acquired a total of 100% of the shares of Designplan Lighting Ltd (Designplan), with its registered offices in Sutton, UK. The Company's operations consist of the manufacturing of fixtures and lighting systems for demanding environments requiring robust products, such as in public transport and prisons. The Company has 180 employees and sales of approximately GBP 13 million per year.

NET SALES AND INCOME

For large parts of the year, demand has been positive in the majority of the geographic markets.

Designplan, which was acquired during 2011, has been consolidated in Fagerhult from the second quarter of 2011. The lighting company, LTS Licht & Leuchten GmbH (LTS), which was acquired during 2010, was consolidated in Fagerhult from 1 October 2010.

Net sales for the Group amounted to MSEK 3,023 (2,506), which is an increase of 20.6%. Sales, adjusted for acquired operations and currency effects, increased by 6.3%. Sales outside Sweden account for an increasing share of the Group's net sales. Such sales amounted to MSEK 2,294 (1,805), which corresponds to 76 (72) % of the Group's net sales.

The order intake for the Group amounted to MSEK 3,064 (2,507). Adjusted for acquired operations and currency effects, order intake increased by 8.7% compared to 2010. Operating profit increased by 107% to MSEK 317.2 (152.9). The operating margin has improved and amounted to 10.5 (6.1) %. The company, LTS, in Germany, acquired during 2010, and the company, Designplan, in England, acquired during the year, contributed to the improved performance but organic growth and lower costs also contributed significantly to the increased income. The stronger Swedish krona impacted operating profit negatively in an amount of MSEK 20 compared to 2010.

Sales for Indoor Lighting stabilised. Including the acquisition of Designplan, this product area shows an increase of 5%. As a result of acquisitions, but also with a strong organic growth, Retail Lighting increased sales by 86% to MSEK 849. Outdoor Lighting has increased its sales by MSEK 30 to MSEK 197 (+18%) after a strong finish to the year.

BUSINESS AREAS

In conjunction with a new strategy for the Fagerhult Group, it was determined that the operational management structure should be adjusted. Fagerhult has chosen to divide its operations into four business areas based on geographical regions, as well as one business area covering other activities:

- Northern Europe
- Great Britain, Ireland and the Middle East
- Other Europe
- Asia and Australia
- Other

In accordance with IFRS 8, the external reporting is hereby adapted so that segment accounting reflects the Group's operative leadership structure. The reporting procedure will also continue to include disclosures regarding the development of the previous business areas: Indoor Lighting, Retail Lighting, and Outdoor Lighting.

NORTHERN EUROPE

This business area comprises our units and companies in the Nordic and Baltic countries, and in Russia. In addition, there is also the factory in China, engaged in manufacturing and purchasing. Development, production and sales are conducted in Sweden, whereas operations in other markets, except for China, refer only to sales.

Net sales for 2011, amounted to MSEK 1,624, compared with MSEK 1,586 in the previous year. Adjusted for exchange rate fluctuations, the increase is 4.1%. The operating margin amounted to 7.4 (3.6) %. Growth was good in most markets, especially in Russia and in Denmark.

GREAT BRITAIN, IRELAND AND THE MIDDLE EAST

This business area comprises our companies in England and Ireland, as well as operations in the Middle East. The dominant unit is Whitecroft Lighting which engages in the development, manufacture and sale of lighting systems. The business area also includes the company Designplan Lighting Ltd, which was acquired during the year. Other units are engaged in sales operations.

Sales for the period January-December amounted to MSEK 744, compared with MSEK 631 in the previous year, and the operating margin amounted to 9.4 (8.7) %. Adjusted for acquired operations and currency effects, sales increased by 8.5%. A significant portion of the organic growth was in the Middle East, where sales growth has been very good. Designplan is progressing well and the company's products are attracting heavy interest in our other markets, while the remaining operations in Great Britain have also shown improvement.

OTHER EUROPE

This business area includes operations in Germany, Holland, France, Spain, Austria and Poland. The dominant unit, the newly acquired company in Germany, LTS, engages in the development, manufacture and sale of lighting systems. The operations in the German subsidiary, Fagerhult GmbH, were incorporated into LTS during 2011.

Sales for 2011 amounted to 753 (409) MSEK and the operating margin was 16.5 (6.4) %. LTS was consolidated into Fagerhult from the fourth quarter of 2010. Adjusted for acquired operations and currency effects, sales increased by 5%.

ASIA AND AUSTRALIA

This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken. Operations in Asia refer to sales on the Chinese market. During the year, a sales company in New Zealand was established.

Sales for the period 2011 amounted to 208 (217) MSEK which, when adjusted for currency effects, comprised a decrease of 6% compared to 2010. Operating margin was 9.1 (13.0) %. The lower operating margin was a result of lower sales as well as increased costs associated with investments, for example, in New Zealand.

FINANCIAL POSITION

The Group's equity/assets ratio is 32 (29) percent. Cash and bank balances at the end of the period amounted to MSEK 306 (208) and consolidated equity to MSEK 892 (722). Net debt amounted to MSEK 939 (955).

In recent years, the exposure of the Group's net assets outside Sweden has increased and, from previously referring only to sales companies, it now also concerns the production units. Translation of net foreign assets at the closing rate has resulted in an increase of equity by MSEK 6.9 (–51.7).

Cash flow from operating activities improved by MSEK 143 to MSEK 251 (108). Working capital, primarily inventories and accounts receivable, has increased since the beginning of the year by MSEK 61, which is primarily attributable to accounts receivable as a result of increased sales.

Pledged assets and contingent liabilities amounted to MSEK 4.1 (4.7) and MSEK 3.9 (1.4) at the end of the year, respectively.

EMPLOYEES

During 2011, the average number of employees increased by 16 percent to 2,228 (1,926). Adjusted for acquired units, the average number of employees remained unchanged. The number of employees in the Group's foreign companies continue to increase and amounted to 1,384 (1,066) which corresponds to 62 (55) % of the total number of employees. The share of women amounted to 33 (36) %. In order to strengthen the Group knowledge capital, the company has continued to focus on setting forth goals related to the development of both individual and organisation.

In order to reduce sickness absence and ill health, the company's health care has focused on preventive measures and wellness. Information on salaries and remuneration, see Note 2.

GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT

Remuneration to the CEO and other members of senior management consists of base salary, variable remuneration, company car benefits and pension benefits. Annual variable remuneration is based on achieved goals and is maximised at 30-50 % of the base salary. These guidelines are also proposed for future years.

The Board also proposes that the AGM decides on a long-term incentive scheme in the form of a performance-based share savings plan for the CEO and senior executives. For further information, refer to the material enclosed with the notice of the AGM.

The CEO has had an incentive scheme that expires in 2012. For further information see Note 2.

INVESTMENTS

The Group's gross investments in tangible fixed assets amounted to MSEK 76 (84), primarily referring to machinery and equipment. In addition, investments in subsidiaries are also reported amounting to MSEK 128 (672).

At year-end, current investments amounted to MSEK 18. Gross investments in intangible fixed assets amounted to MSEK 6 (8), excluding the acquisition of subsidiaries.

Depreciation/amortisation for the year amounted to MSEK 89 (84), of which tangible fixed assets constituted MSEK 75 (68).

PRODUCT DEVELOPMENT

Within the Fagerhult Group, continual product development is undertaken, with the aim of improving existing products, as well as developing new products. A basic principle is that development work should take place near the markets in cooperation with customers and end-users. Fagerhult is also prominent within lighting technology from an international perspective. Cooperation with the leading manufacturers of light sources and components is essential. Fagerhult's engineering centre, TeknikCentrum, includes one of Northern Europe's best equipped laboratories, where we can both test the safety of, and approve our products.

Development costs of MSEK 5 (6) were capitalised in the balance sheet for the year. Other costs are expensed as they arise, see Notes 10 and 25.

ENVIRONMENTAL IMPACT

The Group's operations impact the external environment primarily through the evaporation of organic solvents into the air, and through noise pollution. For several years, targeted efforts have been undertaken to minimise the environmental impact, including the introduction of new coating facilities using alkaline washing processes and closed systems. The Group's Swedish plants have, since 2010, had very low emissions of CO_2 as they have been heated with heat from district heating plants, mainly fuelled by biomass, and all electricity has been generated through hydropower. All of the Company's remaining production facilities, except those in Australia, Sutton in England and Germany, are environmentally certified according to ISO 14001, and these manufacturing facilities are responsible for the majority of the Group's total production. Further information is provided in the section regarding the Group's sustainability work.

ACQUISITION OF OWN SHARES

The Annual General Meeting, held on 28 April 2011, authorised the Company to acquire its own shares. No acquisitions of own shares have been made. Holdings of own shares amount to 238,000. The total number of outstanding shares was 12,612,000 at year end. The Company owns 1.9 percent of its own shares.

The Board of Directors proposes that the Annual General Meeting resolve to grant the Board continued authorisation until the next Annual General Meeting to acquire the Company's own shares. As acquired shares do not entitle right 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 32.

THE FAGERHULT SHARE

There are no limitations on the transferability of shares (preemption). Neither are there any limitations as to the number of votes which each shareholder can exercise at the Annual General Meeting of shareholders. The Company is not aware of any agreements between shareholders which could involve limitations on the right to transfer shares.

For further information, refer to page 48, The Fagerhult Share and Ownership Structure.

APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD

There are no specific regulations in the Articles of Association regarding the appointment or removal of members of the Board.

PARENT COMPANY

Operations in AB Fagerhult consist of the management of the Group, the financing and coordination of marketing activities, production and business development. The Company's net sales amounted to MSEK 10.5 (4.9). Profit after financial items amounted to MSEK 78.1 (50.3).

There were 6 (6) employees during the period.

PROSPECTS FOR 2012

In recent years, the Group has experienced a strong sales and earnings trend as a result of favourable organic growth, but also through a series of acquisitions of companies. This strategy remains unchanged and the Group will continue on this path within product development and marketing, as well as increased internationalisation.

Implemented restructuring measures, the acquisition of LTS and Designplan, as well as an improving economy, create continued positive opportunities for improved earnings in 2012. Fagerhult is however, affected by the general economic development which is currently difficult to assess.

PROPOSED APPROPRIATION OF PROFITS

The Group's profit brought forward, according to the consolidated balance sheet, amounts to MSEK 728.3 (565.2).

The following profits are at the disposal of the Annual General Meeting:

Profit brought forward	126.5
Net profit for the year	64.1
MSEK	190.6

The total number of dividend-bearing shares on 9 March 2012 amounted to 12,612,000, excluding repurchased shares. The Board of Directors proposes the profit to be appropriated as follows:

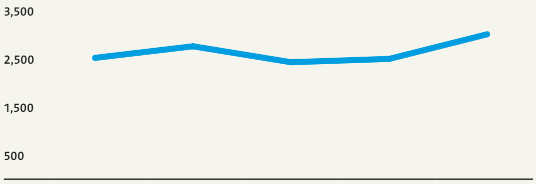
Dividend to shareholders, totalling SEK 6.50 per share	82.0
To be carried forward	108.6
MSEK	190.6

BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED DIVIDEND

It is the opinion of the Board of Directors that the proposed dividend does not prevent the Company from fulfilling its short or long-term obligations, nor does it prevent the Company from making necessary investments. The proposed dividend can, therefore, be justified in accordance with the provisions of the Swedish Companies Act, 17:3, paragraphs 2-3.

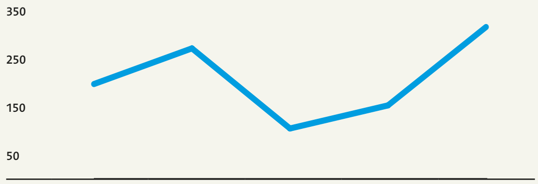
Considering that the Company continues to be operated profitably, the equity/assets ratio is at a satisfactory level. It is the Company's assessment that liquidity can be maintained at a similarly satisfactory level.

Fig. 13
SALES



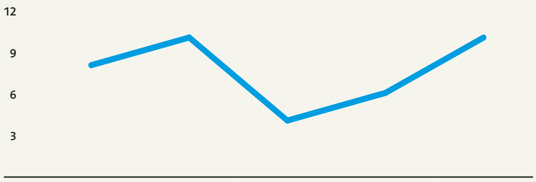
Year	2007	2008	2009	2010	2011
MSEK	2,527	2,770	2,436	2,506	3,023

Fig. 14
OPERATING PROFIT



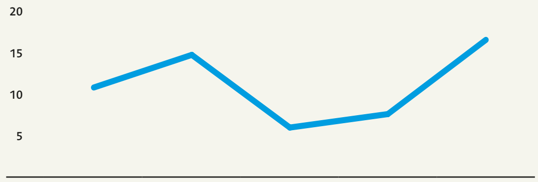
Year	2007	2008	2009	2010	2011
MSEK	197.6	272.4	104.2	152.9	317.2

Fig. 15
OPERATING MARGIN



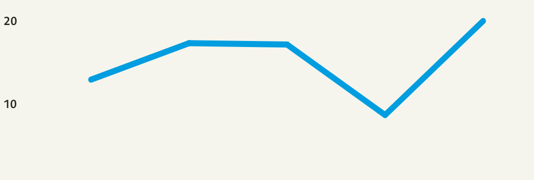
Year	2007	2008	2009	2010	2011
%	8	10	4	6	10

Fig. 16
EARNINGS PER SHARE



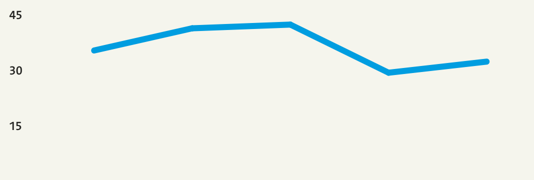
Year	2007	2008	2009	2010	2011
SEK	10.69	14.62	5.87	7.49	16.43

Fig. 17
CASH FLOW FROM OPERATIONS PER SHARE



Year	2007	2008	2009	2010	2011
SEK	12.84	17.22	17.06	8.59	19.89

Fig. 18
EQUITY/ASSETS RATIO



Year	2007	2008	2009	2010	2011
%	35	41	42	29	32

Fagerhult has applied the Swedish Code for Corporate Governance since 1 July 2008, in accordance with the listing requirements of NASDAQ OMX Nordic Exchange.

SHAREHOLDERS

FAGERHULT'S OWNERS

The Company's share has been listed on NASDAQ OMX, Nordic Exchange in Stockholm, Mid Cap list, since May 1997.

By the end of 2011, AB Fagerhult (publ) had approximately 3,389 shareholders. The largest individual owners are Investment AB Latour and SÄKI AB, of which the Douglas family is the majority owner. Together with their own holdings, the Douglas family directly, or indirectly, control 49.0 (49.2) percent of the share capital and votes in the Company. The eight largest owners represent 76.5 (72.9) percent of the share capital and votes. Foreign owners' shares amounted to 12.4 (3.4) percent. For more information regarding the major shareholders in the Company, price trends, etc., refer to the Fagerhult Share and Owner Structure, pages 48-49.

ARTICLES OF ASSOCIATION

AB Fagerhult's (publ) Articles of Association stipulate, amongst other things, that the Company's operations are to be comprised of the production and sale of lighting fixtures, owning and managing property and undertaking related business activities.

The Board of Directors is to comprise of a minimum of three, and a maximum of ten, Board members, with a maximum of four deputy Board members.

There are no specific provisions in the Articles of Association for the appointment or dismissal of Board Members.

In addition, the trade unions have the right to appoint two Board members and two deputy Board members to the Board of Directors. The Board of Directors' registered offices are to be located in the Municipality of Habo, in the County of Jönköping.

The audit is to be executed by one or two auditors, with or without deputy auditors, or by an authorised public accounting firm.

ANNUAL GENERAL MEETING

The Annual General Meeting shall be held no later than six months after the end of the financial year. The Annual General Meeting may be held in Fagerhult, Habo or Jönköping. All shareholders who, prior to the Annual General Meeting, are registered in the shareholders' register, and who have notified the Company of their wish to participate, may do so and may vote in accordance with their total shareholdings.

At the Annual General Meeting, questions concerning dividends, the Annual Report, the appointment of Board members and – in applicable cases – auditors, remuneration to the Board of Directors and the auditors, and other matters relevant to the Annual General Meeting, will be discussed.

ANNUAL GENERAL MEETING 2011

The 2011 Annual General Meeting was held on 28 April in Habo. A total of 62 shareholders were present at the meeting representing 68.3 percent of the votes. Minutes from the Annual General Meeting can be found on Fagerhult's website. All resolutions were made with the required majority. Below is a selection of the meeting's resolutions:

- Resolution on the distribution of a dividend of SEK 3.50 per share.
- Anna Malm Bernsten, Eric Douglas, Björn Karlsson, Eva Nygren, 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 Annual General Meeting granted the Board of Directors authorisation to repurchase the Company's own shares, corresponding to a maximum of 10 percent of total share capital, prior to the date of the next Annual General Meeting.

THE BOARD OF DIRECTORS

The Board of Directors determines issues concerning the Group's strategic alignment, finances, investments, acquisitions, sales, organisational questions and rules and policies. The Board of Directors is regularly informed of the Company's operations through monthly reports provided by the Company management.

NOMINATION PROCEDURE

A Nomination Committee is formed each year at the initiative of the Chairman of the Board of Directors, and is subsequently appointed at the Annual General Meeting. The Committee shall comprise of representatives of major shareholders in the Company. Board members can also serve as members of the Committee, but may not constitute a majority. The Chairman of the Board of Directors cannot serve as Chairman of the Nomination Committee.

The Nomination Committee for 2012's Annual General Meeting is comprised of Gustaf Douglas (Chairman), Jan Svensson, Björn Karlsson and Göran Espelund, Lannebo Fonder.

The work of the Nomination Committee takes place at the end of the financial year and at the start of the new financial year. Prior to an Annual General Meeting at which auditors are to be elected, the Nomination Committee shall work together with the Audit Committee, which works with the evaluation of the audit in the Company. The Nomination Committee shall observe the regulations applied to independent members of the Board, according to the Swedish Code of Corporate Governance.

BOARD MEMBERS

The Board of Directors currently consists of seven members elected by the Annual General Meeting of shareholders, as well as two Board members and two supplementary members chosen by the trade unions. Four (4) of the Board members represent holdings equivalent to 59 (60) percent of the Company's share capital and votes. The CEO is one of the members elected at the Annual 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. Officials in the Company participate in Board meetings to present reports. The Company's CFO serves as the Board's secretary.

For further information concerning the Board members elected at the Company's Annual General Meeting, refer to the section concerning the Board of Directors, pages 50-51, in this Annual Report.

BOARD OF DIRECTORS' INDEPENDENCE

According to the Code's definition, the majority of Fagerhult's Board members are independent, see page 61. Note that the Chairman of the Board, Jan Svensson, and Fredrik Palmstierna, are not considered independent as they represent the Company's main owners in their roles as Managing Director and Chairman for Investment AB Latour, respectively. Eric Douglas represents the Douglas family. With the exception of the CEO and Group CEO, Johan Hjertonsson, the Board's members are not employed in the Group. The Nomination Committee's assessment as regards whether any proposed Board member meets independence requirements is reported in conjunction with the Nomination Committee's proposal. The CEO has no significant shareholdings or ownership in companies having significant business connections with the companies within the Fagerhult Group.

THE WORK OF THE BOARD

The Board's work is regulated by the Swedish Companies Act, the Articles of Association and the work plan adopted by the Board.

The Board's work plan contains, amongst other things, rules stipulating the number of Board meetings which are to be held each year, the issues to be addressed in the meetings, and the division of duties between the Board of Directors and the CEO. These duties and the obligation of the CEO to report to the Board are regulated in the terms of reference to the CEO.

Normally, six Board meetings are held each year and one Board meeting is held following the election of the Board. 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. Additional time is assigned to one Board meeting per year and at this meeting a specific focus is placed on strategic issues. The auditor of the Company is present at Board meetings at least twice 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 Compensation Committee. The aim of these committees is to enhance and facilitate the Board's work, and to address matters related to each area.

THE WORK OF THE BOARD 2011

The Board has met five times during the year, as well as holding one meeting following the election of the Board. One to two members of the Board have been absent at three of the Board meetings. All members of the Board have been present at the other meetings. The Company's auditor was present at one of the Board meetings. This was the Board meeting during which the annual accounts were presented, and during which the auditor submitted his opinion. Important issues dealt with this year were, amongst others:

- The overall and long-term aims of the Company
- The strategic focus of the operations
- Business plans, financial plans and forecasts
- Major investments and acquisitions/disposals of operations
- The Group's organisation
- Capital and financing issues
- Policies and instructions
- Interim reports and annual financial statements
- Reports by the Board's committees
- Follow-up of 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. The process includes, amongst other things, a questionnaire in which the members of the Board have the opportunity to express their opinion of the Board's work and to provide proposals concerning the manner in which the plan can be improved. 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 task 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 their compensation. The Committee shall, furthermore, assist the Nomination Committee in its choice of auditors and compensation prior to the Annual General Meeting at which the election of auditors takes place.

The Audit Committee is comprised of the entire Board, except for the CEO. Over the year, the Committee has had one meeting with the Company's auditor. At the meeting, all but one Board member were present.

THE COMPENSATION COMMITTEE

The work of the Compensation Committee, on behalf of the Board, is to prepare and negotiate issues concerning the salary and other compensation to be provided to the CEO, and to approve the CEO's proposal for salaries for the other members of Group Management. Its tasks also include supervising the compensation to be provided to the Board members in the event that they are engaged by the Company's Board as consultants. The Committee also deals with any Group-wide bonus system and option programs.

Decisions concerning compensation for the CEO and other leading officers in Group Management are resolved upon by the Board. The Committee has had one meeting over the past year, at which all Board members were present.

The Compensation Committee consists of Jan Svensson (Chairman of the Board), Eric Douglas (Deputy Chairman of the Board) and Eva Nygren.

COMPENSATION TO THE BOARD

Compensation to the members of the Board is determined annually at the Annual General Meeting. No compensation is provided to those members of the Board employed by the Company. No specific compensation is provided for work performed in the committees, apart from the ordinary Board fees.

At the Annual General Meeting on 28 April 2011, total fees for the members of the Board were determined at SEK 1,500,000 (1,200,000). The Chairman of the Board is paid SEK 400,000, the Deputy Chairman of the Board, SEK 300,000 and other members of the Board, SEK 200,000 each

AUDITORS

At the Annual general meeting of shareholders in 2008, Öhrlings PricewaterhouseCoopers was elected auditor, with Bo Karlsson as Auditor-in-Charge. Bo Karlsson is in charge of larger audit assignments, such as Investment AB Latour, Assa Abloy and Lundin Petroleum. At present, he has no assignments affiliated to any major owner of Fagerhult or to the CEO.

At the Board meeting in February 2012, the auditor presented a personal report to the Board regarding the audit assignment and also regarding internal control of the Group.

The auditing of the Group's worldwide companies is coordinated by Öhrlings PricewaterhouseCoopers. All of the activities of companies with a significant scope of operations are audited by PricewaterhouseCoopers in the country in question. For a number of smaller companies, the operations are audited by other accounting firms.

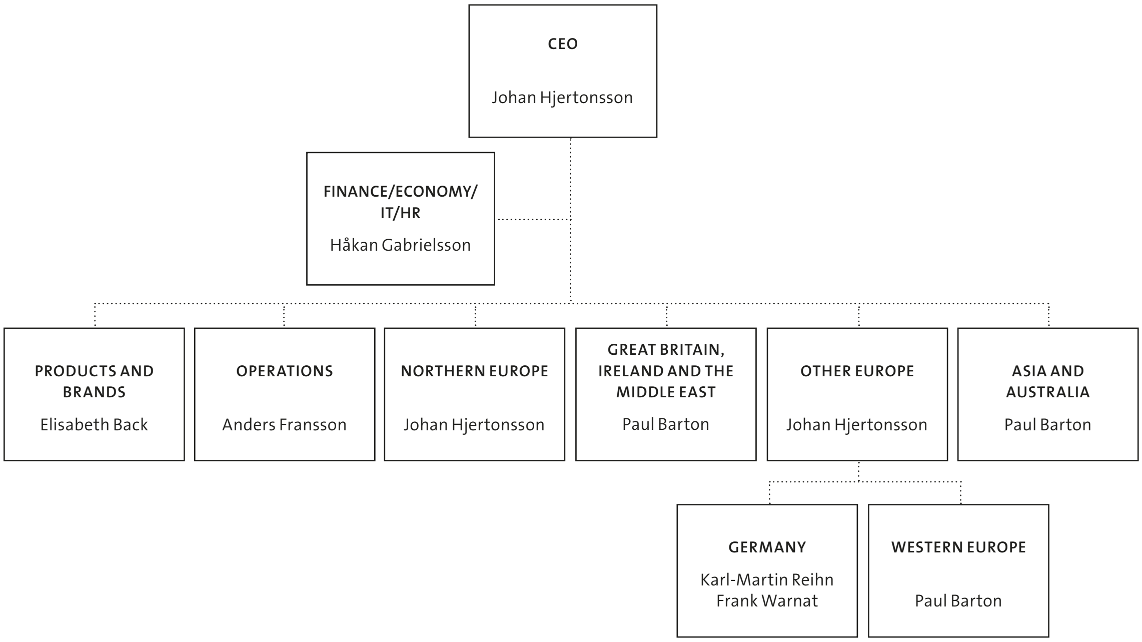
THE GROUP'S OPERATIONAL GOVERNANCE 2011

MANAGEMENT GROUP

Internationalisation, a clear division of responsibility for results, resource optimisation and growth platforms are guidelines for the composition of the Group's Management Group. Group Management consists – apart from the CEO – of two managers in charge of the different Business Areas with re-

Members of the Board elected by the annual general meeting of shareholders	Elected	Born	Remuneration	Number of shares/votes	Independent in relation to the owners	Independent in relation to the company	Participated in number of meetings
Chairman, Jan Svensson	2007	1956	400,000	6,179,800 *)	No	Yes	5
Deputy Chairman, Eric Douglas	1993	1968	300,000	40,000 *)	No	Yes	4
Board Member, Anna Malm Bernsten	2003	1961	200,000	3,000	Yes	Yes	4
Board Member, Björn Karlsson	1997	1961	200,000	945,525 *)	Yes	Yes	4
Board Member, Eva Nygren	2004	1955	200,000	–	Yes	Yes	4
Board Member, Fredrik Palmstierna	1992	1946	200,000	285,770 *)	No	Yes	5
CEO, Johan Hjertonsson	2009	1968	–	25,000	Yes	No	5
Total			**1,500,000**	**7,479,095 (59%)**	**4 (57 %)**	**6 (86 %)**	**5**

* Sum of own holdings, directly or indirectly, and as representative for shareholders.



sponsibility for results, regions, and coordination tasks, two individuals with the functional responsibility for market work, product development and production, and one manager in charge of the staff functions finance/economy/IT/HR. Group Management holds a minimum of six meetings per year to review results, the Company's situation and strategic and operational issues. One meeting per year is somewhat longer in duration. The Company's activities are planned and discussed in greater detail at this meeting.

In conjunction with a new strategy for the Fagerhult Group, it was determined that the operational management structure should be adjusted accordingly. Fagerhult has chosen to divide its operations into four business areas based on geographical regions and other activities:

Northern Europe. The business area comprises our units and companies in the Nordic and Baltic countries and Russia. In addition, there is also the factory in China with manufacturing and purchasing. In Sweden, development, production and sales are conducted, whereas operations in other markets besides China refer only to sales.

Great Britain, Ireland and the Middle East. The business area comprises our companies in England and Ireland, as well as operations in the Middle East. The dominant unit is Whitecroft Lighting, which carries out the development, manufacturing and sale of lighting systems and this also includes the company, Designplan Ltd, which was acquired during the year. Other units are engaged in sales operations.

Other Europe. The business area includes operations in Germany, Holland, France, Spain, Austria and Poland. The dominant operations, the newly acquired company in Germany, LTS Licht & Leuchten GmbH, engages in the development, manufacture and sale of lighting systems.

Asia and Australia. The business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing also takes place. Australia is the market which developed the most positively of the markets in the region in which Fagerhult is operative. Operations in China refer to sales on the Chinese market.

Other. Mainly the Parent Company, as well as certain Group-wide functions.

PRODUCT AREAS

Fagerhult's operational subsidiaries engage in operations within three product areas – Indoor Lighting, Retail Lighting and Outdoor Lighting.

The specification of the operations per product area is based on the differences in the sales procedures and the manner in which customer requirements are fulfilled, such as the application environment, product concept and service level.

MANAGEMENT OF SUBSIDIARIES

The operations in the subsidiaries are managed by the respective Boards of Directors. The Boards of the subsidiaries are comprised of the Manager responsible for the subsidiary, at least one Business Area Manager and, in most cases, the CEO of the Parent Company.

A formal work plan is established each year for each subsidiary, in which responsibilities, authorisations and work procedures for the Board are regulated.

STAFF FUNCTIONS

In the Parent Company AB Fagerhult (publ), there is a Group management and staff function for the co-ordination of financing, marketing, production and IT.

INTERNAL CONTROL AND FINANCIAL REPORTING

The basis for the internal control as regards financial reporting is related to the control environment for the organisation, the decision making processes, the authorisations and responsibilities that have been documented and communicated in the governance documents. The allocation of work between the Board and CEO, in addition to the instructions for authorisation rights, as well as accounting and reporting instructions, are examples of such internal control activities.

The risks that have been identified as regards financial reporting are managed through the control structure of the Group.

With the aim of ensuring completeness and correctness in the financial reporting, governance documentation regarding these areas has been provided to the employees concerned. The effectiveness of these governing guidelines, and compliance therewith, is followed-up, both through programmed controls and through routines implemented by the personnel. The Group has a common reporting system in which all reporting takes place. Regular visits by the Group's management are paid to the subsidiaries, during which financial follow-ups are undertaken, and control activities are also further developed.

The Board and Company management have determined not to establish a specific control function in the form of an internal audit in the Fagerhult Group. The Group Finance Department continually monitors compliance with the Company's governance model, reporting principles and policies. The Finance Department conducts ongoing analyzes of the Company's reporting and financial results in order to ensure continued development.

Discussions with the Company's external auditors regarding the focus of the audit and the accounting firm's comprehensive organisation, together with the controls carried out by Group management and the existing control functions in the different Business Areas, are considered to provide an acceptable level of assurance. This implies that no separate internal audit is considered necessary.

The Board receives monthly financial reports and the Group's financial situation is addressed at each Board meeting.

FINANCIAL INFORMATION

Fagerhult continuously informs the market concerning the Group's development and financial position.

INTERIM REPORTS

An interim report is produced after each completed quarter. The report issued after year-end is designated the year-end report. These reports are submitted within two months of the end of the period in question.

ANNUAL REPORT

The annual report, together with a description of the Company's operations and a comprehensive account of the Company's activities during the past year, is delivered at the end of March each year.

PRESS RELEASES

Press releases are submitted providing information regarding significant business events, such as the acquisition and disposal of companies, major orders, significant changes and similar events, in conjunction with the event in question taking place.

PRESENTATIONS AND ANALYST MEETINGS

The Company's management remains in continuous contact with analysts and shareholders. Such contact is primarily carried out through smaller meetings with individual shareholders or analysts, during which the Company's operations are presented.

INCOME STATEMENT

MSEK	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Net sales	1	3,022.8	2,505.6	10.5	4.9
Cost of goods sold		–2,013.2	–1,736.8	–	–
Gross profit		**1,009.6**	**768.8**	**10.5**	**4.9**
Selling expenses		–534.2	–475.2	–8.4	–1.7
Administrative expenses		–184.7	–155.1	–20.9	–17.1
Other operating income		26.5	14.4	–	–
Operating profit	2, 7, 19-26	**317.2**	**152.9**	**–18.8**	**–13.9**
Financial income and expenses					
Income from shares in subsidiaries	6	–	–10.9	115.4	68.6
Interest income and similar profit items	3	10.0	17.2	0.1	4.7
Interest expenses and similar profit items	4	–42.2	–24.6	–18.6	–9.1
Total financial items		–32.2	–18.3	96.9	64.2
Profit after financial items		**285.0**	**134.6**	**78.1**	**50.3**
Changes in tax allocation reserve		–	–	–	10.0
Tax on net profit for the year	8, 9	–77.8	–40.1	–14.0	–0.9
Net profit/loss for the year		**207.2**	**94.5**	**64.1**	**59.4**
Net profit/loss for the year, Parent Company shareholders		207.2	94,5		
Earnings per share calculated on profit attributable to Parent Company shareholders during the year:					
Earnings per share before dilution, SEK		16.43	7,49		
Earnings per share after dilution, SEK		16.43	7,49		
Average no. of shares before dilution, thousands		12,612	12,612		
Average no. of shares after dilution, thousands		12,612	12,612		
No. of outstanding shares, thousands		12,612	12,612		

STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
Net profit	**207.2**	**94.5**
Other comprehensive income		
Translation differences	6.9	–51.7
Other comprehensive income for the period, net after tax	6.9	–51.7
Total comprehensive income for the year	**214.1**	**42.8**
Total comprehensive income attributable to Parent Company shareholders	214.1	42.8

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

BALANCE SHEETS

MSEK	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
ASSETS					
Non-current assets					
Intangible assets	10				
Goodwill		877.6	806.4	–	–
Trademarks		107.8	93.3	–	–
Other intangible assets		22.4	28.4	–	–
		1,007.8	928.1	–	–
Tangible fixed assets	11				
Land and buildings		83.3	81.5	–	–
Plant and machinery		166.6	173.8	–	–
Equipment, fixtures and fittings		75.9	75.1	–	–
Construction in progress and advance payments		17.9	19.8	–	–
		343.7	350.2	–-	–
Financial fixed assets					
Shares and participations in subsidiaries	13,28	–	–	616.3	616.3
Other shares and participations	12	7.4	6.3	–	–
Receivables from subsidiaries		–	–	1,091.7	929.1
Deferred recoverable income tax	9	10.4	9.8	–	–
Other long-term receivables	12	3.1	4.6	–	–
		20.9	20.7	1,708.0	1,545.4
Total fixed assets		**1,372.4**	**1,299.0**	**1,708.0**	**1,545.4**
Current assets					
Inventories, etc.					
Raw materials and consumables		145.2	160.1	–	–
Work in progress		21.5	24.5	–	–
Finished products and goods for sale		278.7	242.5	–	–
Advance payment to suppliers		7.9	9.1	–	–
		453.3	436.2	–	–
Current receivables					
Accounts receivable – trade	5	539.6	448.4	–	–
Current income taxes recoverable		57.7	39.6	12.7	25.6
Other receivables		16.7	13.8	–	–
Prepaid expenses and accrued income	14	31.2	25.1	1.5	0.6
		645.2	526.9	14.2	26.2
Liquid funds / Cash and bank balances		305.7	207.5	–	–
Total current assets		**1,404.2**	**1,170.6**	**14.2**	**26.2**
TOTAL ASSETS		**2,776.6**	**2,469.6**	**1,722.2**	**1,571.6**

MSEK	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
EQUITY (GROUP/PARENT COMPANY[1])					
Capital and reserves attributed to Parent Company's shareholders					
Share capital	30	65.5	65.5	65.5	65.5
Other contributed capital		159.4	159.4	–	–
Translation differences / Statutory reserve		–60.8	–67.7	159.4	159.4
Unappropriated profit brought forward		728.3	565.2	126.5	111.2
Net profit/loss for the year, Parent Company				64.1	59.4
		892.4	722.4	415.5	395.5
Untaxed reserves					
Transfer to tax allocation reserve		–	–	21.4	21.4
LIABILITIES					
Long-term liabilities					
Borrowing	15	1,169.0	1,006.3	1,168.9	1,006.3
Provisions for pensions and similar commitments	19	46.4	41.7	–	–
Liabilities to subsidiaries		–	–	1.7	1.7
Deferred income tax liabilities	9	65.0	63.0	–	–
		1,280.4	1,111.0	1,170.6	1,008.0
Current liabilities					
Borrowing	15	29.2	114.7	102.3	140.2
Advance payments from customers		6.1	1.7	–	–
Accounts payable – trade		238.7	251.8	–	–
Current income tax liabilities		45.6	16.7	–	–
Other liabilities		65.9	39.2	2.0	1.1
Other provisions	27	18.2	8.8	–	–
Accrued expenses and deferred income	16	200.1	203.3	10.4	5.4
		603.8	636.2	114.7	146.7
Total liabilities		**1,884.2**	**1,747.2**	**1,285.3**	**1,154.7**
TOTAL EQUITY AND LIABILITIES		**2,776.6**	**2,469.6**	**1,722.2**	**1,571.6**
Pledged assets	17			None	None
Contingent liabilities	18			69.3	58.0

[1] Restricted equity: share capital and statutory reserve. Non-restricted equity: profit brought forward and results for the year.

CHANGE IN EQUITY

MSEK	Share capital	Other contributed capital	Translation differences	Profit carried forward	Total equity
Group					
Equity as of 1 January 2010	65.5	159.4	–16.0	508.5	717.4
Comprehensive income for the year			–51.7	94.5	42.8
Dividend of SEK 3.00 per share				–37.8	–37.8
Equity as of 31 December 2010	65.5	159.4	–67.7	565.2	722.4
Comprehensive income for the year			6.9	207.2	214.1
Dividend of 3.50 per share				–44.1	–44.1
Equity as of 31 December 2011	**65.5**	**159.4**	**–60.8**	**728.3**	**892.4**

MSEK	Share capital	Reserves	Profit carried forward	Total equity
Parent Company				
Equity as of 1 January 2010	65.5	159.4	149.0	373.9
Net profit for the year			59.4	59.4
Dividend of SEK 3.00 per share			–37.8	–37.8
Equity as of 31 December 2010	65.5	159.4	170.6	395.5
Net profit for the year			64.1	64.1
Dividend of 3.50 per share			–44.1	–44.1
Equity as of 31 December 2011	**65.5**	**159.4**	**190.6**	**415.5**

CASH FLOW ANALYSES

MSEK	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Net profit for the year		**207.2**	**94.5**	**64.1**	**59.4**
Tax	8,9	77.8	40.1	14.0	0.9
Change in untaxed reserves		–	–	0.0	–10.0
Income from shares in subsidiaries	6	0.0	10.9	–115.4	–68.6
Interest income and similar profit items	3	–10.0	–17.2	–0.1	–4.7
Interest expenses and similar profit items	4	42.2	24.6	18.6	9.1
Operating profit		**317.2**	**152.9**	**–18.8**	**–13.9**
Adjustment for items not included in the cash flow:					
Depreciation		89.1	83.6	–	–
Profit/loss from the sale of tangible fixed assets		–5.9	0.2	–	–
Exchange rate differences		1.7	12.3	–0.9	4.7
		402.1	249.0	–19.7	–9.2
Interest received		7.1	2.0	0.1	–
Interest paid		–32.5	–13.1	–17.7	–9.1
Income tax paid		–65.3	–50.3	–1.1	–20.4
Cash flow generated by the operations before changes in working capital		**311.4**	**187.6**	**–38.4**	**–38.7**
Changes in working capital:					
Change in inventories		4.2	–92.4	–	–
Change in receivables		–67.9	36.0	–0.9	–0.4
Change in current liabilities		3.1	–22.8	5.9	–0.3
Cash flow from operating activities		**250.8**	**108.4**	**–33.4**	**–39.4**
Investment activities					
Investments in subsidiaries and associated companies		–117.0	–508.3	–	–
Investments in intangible assets		–5.6	–8.3	–	–
Investments in tangible fixed assets		–70.9	–75.3	–	–
Sales of subsidiaries		–	7.9	–	12.9
Sales of tangible fixed assets		10.7	0.6	–	–
Changes in construction in progress and advance payments	11	1.9	–6.2	–	–
Change in long term receivables and securities	12	1.0	–3.8	–162.6	–668.4
Group contribution and dividends received		–	–	115.4	55.7
Cash flow generated by investments		**–179.9**	**–593.4**	**–47.2**	**–599.8**
Financing activities					
New borrowings	15	164.0	564.4	164.0	564.4
Changes in other borrowing	15	–98.1	–23.0	–39.3	107.9
Changes in other provisions	27	4.7	8.8	–	–
Dividend paid		–44.1	–37.8	–44.1	–37.8
Cash flow generated by financing activities		**26.5**	**512.4**	**80.6**	**634.5**
Change in liquid funds		**97.4**	**27.4**	**0.0**	**–4.7**
Liquid funds at year-start		207.5	197.4	0.0	4.7
Translation differences in liquid funds		0.8	–17.3	–	–
Liquid funds at year-end		**305.7**	**207.5**	**0.0**	**0.0**

Fagerhult's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and RFR1.

The Parent Company applies the same accounting principles as the Group, except in the instances presented below in the section "Parent Company's Accounting Principles". The variances arising between the Parent Company's and the Group's principles result from limitations in the possibility of applying IFRS in the Parent Company imposed by the Swedish Annual Accounts Act. The accounting principles remain unchanged compared with the previous year.

All amounts are reported in MSEK, unless otherwise stated. Assets and liabilities are valued at acquisition cost, unless otherwise stated 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 the right to determine the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

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

The purchase method of accounting is applied in the accounting of the acquisition of subsidiaries by the Group. The cost of an acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities, and the shares issued by the Group. The purchase price includes the fair value of any assets or liabilities as a result of an agreement on the contingent consideration. 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 if any non-controlling interest in the acquired company is recognised at fair value or at the holding proportionate share of the acquired company's net assets. The amount by which the purchase price, any non-controlling interest and fair value at the acquisition date of the previous shareholding exceeds the fair value of the acquisition 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 the income statement.

Any transaction costs are recognised in the income statement as incurred.

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

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL 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 financial statements 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 date of the transaction. Foreign exchange rate differences attributable to operating activities are recorded in operating income, while exchange rate differences attributable to the Group's financing are recorded under financial income and expenses. Exceptions to this include transactions that constitute hedging that fulfils requirements for the hedge accounting of cash flows or of net investments, when exchange rate differences are recorded in other comprehensive income.

During 2011 and 2010, the Group has not applied any hedge accounting.

SUBSIDIARIES

The results of operations and the financial position of all subsidiaries (none of which has the currency of a hyper-inflationary economy), having a functional currency different from the presentation currency, are translated into the presentation currency as follows:

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

The valuation of all income tax liabilities and assets is carried out at nominal amounts, using tax rates and laws that have been enacted, or substantially enacted, by balance sheet date and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

In the case of items reported in the income statement, related tax effects are also reported in the income statement. The tax effects of items that are accounted for directly against other comprehensive income and equity are also reported directly against other comprehensive income and equity.

Deferred income 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 provisions to tax allocation reserves.

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

Reporting of deferred tax is based on effective tax rates.

INVENTORIES

Inventories are reporting using the first-in, first-out method at the lower of acquisition cost and net realisable value on the balance sheet date.

Valuation of work in progress and finished goods comprises design costs, direct labour, other direct costs and 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 applicable variable selling expenses.

ACCOUNTS RECEIVABLE – TRADE AND OTHER RECEIVABLES

Accounts receivable – trade and other receivables are recognised at acquisition value, less any provision for impairment. A provision for impairment of accounts receivable is reported when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivables. Significant financial difficulties on the part of the debtor, a good probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency of payments are considered to be indicators that accounts receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced on the basis of a provision for depreciation and the amount of the loss is recognised in the income statement within selling and marketing costs. Recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

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. Intra-Group sales are eliminated in the consolidated accounts.

OTHER OPERATING REVENUE

Revenue from activities outside the Group's ordinary operations has been recorded as "Other operating revenue".

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 the dividends has been determined.

INTERNAL TRANSFER PRICING

The pricing of transactions, such as purchases and sales of goods and services between Group companies, takes place on the basis of market conditions.

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 operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. These agreements have durations of between 3 and 4 years.

BORROWING COSTS

The Group capitalises borrowing costs, as part of the acquisition value, which are directly attributable to the purchases, construction or production of an asset and where a consider-able amount of time is required to prepare the asset for use or sale. Other borrowing costs are recognised as expenses in the period in which they arise.

CASH FLOW STATEMENT AND CASH EQUIVALENTS

The cash flow statement has been prepared using the indirect method. The reported cash flow includes only those transactions that have resulted in receipts or payments. Cash equivalents include cash in hand, deposits held on call with banks and short-term highly liquid investments with original maturities of three months or less. In both 2011 and 2010, cash and cash equivalents were comprised solely of cash in hand and deposits held on call with banks.

TANGIBLE FIXED ASSETS

Land and buildings comprise, primarily, of factories and offices. Tangible fixed assets are stated at acquisition value, less accumulated depreciation. The acquisition value includes expenditure that is directly attributable to the acquisition of the items. Additional expenses are included in the asset's reported value, or are reported as a separate asset, depending on the more appropriate alternative, only when it is likely that the future economic benefits associated with the asset, will benefit the Group, and when the asset's acquisition value can be measured in a reliable manner. All other forms of repairs and maintenance are reported as cost in the income statement during the period in which they arise.

No depreciation is reported for land. Depreciation of other assets, in order to allocate their acquisition value to be equivalent to their estimated residual value, is undertaken on a straight-line basis according to plan over the estimated useful lifetime, 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, IT systems	5 years
Computers and tools	3 years

The assets' residual values and useful lifetimes are reviewed and adjusted, if applicable, at each balance sheet date.

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

INTANGIBLE FIXED ASSETS

RESEARCH AND DEVELOPMENT

The Group has no expenses for research. Expenses which have arisen in conjunction with development projects (attributable to the development of new lighting fittings) are reported in the Group as intangible fixed assets when it is likely that the project will be successful, in terms of its commercial and technical possibilities, and when the expenses in question can be measured in a reliable manner. Other development expenses are written off as they arise. Development expenses that have previously been expensed are not capitalised as assets in subsequent periods.

Capitalised development expenditure with a limited useful lifetime is written-off 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 lifetime, which is usually three to five years. Amortisation is included in the income statement under the item "Costs of goods sold". Capitalised development expenditure is included under the item "Other intangible fixed assets".

GOODWILL

Goodwill consists of the amount by which the acquisition cost exceeds the fair value of the Group's participation in the acquired subsidiary's or associate's identifiable net assets at the point in time of the acquisition. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for impairment and is recognised at acquisition cost less accumulated impaired losses. Profit or loss on the sale of a unit includes the remaining carrying value of goodwill referring to the unit sold.

Goodwill is allocated to cash generating units, following the assessment of any write-down requirement. Allocation is made to the cash generating units which are expected to benefit from the operational acquisition which has arisen due to the goodwill item. The Fagerhult Group allocates goodwill to all business segments.

BRANDS

The item mainly includes assets in trademarks which have arisen in conjunction with the acquisition of subsidiaries. These are valued at the date of acquisition at fair value and thereafter, less depreciation and amortisation. Trademarks are written off over an estimated useful lifetime or, in cases where trademark has an indefinite useful life, there is an annual impairment test.

WRITE-DOWNS OF NON-FINANCIAL ASSETS

Assets which have an unknown useful lifetime are not written-off but, instead, are tested yearly for any possible write-down requirement. Assets which are written-off are assessed in terms of impairment whenever events or changes in business relations indicate that the reported value is not recoverable. In those cases in which the reported value exceeds the recoverable amount, the reported value is immediately written-down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, reduced by the selling costs and the asset's value in use. During the assessment of write-down requirements, the assets are grouped together at the lowest level at which there are separate, identifiable cash flows (cash generating units).

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the categories "Financial assets at fair value via the income statement", "Available-for-sale financial assets" and "Loans receivable and accounts receivable-trade". Classification of financial assets is dependent on the purpose for which the financial asset was acquired. The Company management determines the classification of the financial asset when they are first reported and, thereafter, re-examines the decision in conjunction with each reporting occasion.

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

Loans receivable and accounts receivable – trade are non-derivative financial assets with determined or determinable payments which are not listed on an active market. These are characteristically 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 balance sheet date, and which are classified as fixed assets. Loan receivables and accounts receivable – trade are included in the items "Other long-term receivables", "Accounts receivable – trade" and "Other receivables" in the balance sheet. Loan receivables and accounts receivable – trade are initially reported at fair value and, thereafter, at accrued acquisition value 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 accrued acquisition value. The category "Financial liabilities" includes the items Borrowings, Accounts payable 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 the income statement. Financial assets valued at fair value via the income statement are initially valued at fair value, while applicable transaction costs are reported in the income statement. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instruments has expired or been transferred, and the Group has transferred all of the risks and benefits associated with the right of ownership. Available-for-sale financial assets and financial assets valued at fair value via the income statement are reported after the time of purchase at fair value. Realised and unrealised gains and losses resulting from changes in fair value attributable to the category financial assets valued at fair value via the income statement are included in the income statement for the period during which they arise.

The Group makes an assessment at each balance sheet date as to whether there is objective evidence that a write-down requirement exists for a financial asset or group of financial assets.

Derivative instruments are reported in the balance sheet on the contract date and are valued at fair value, both initially and following subsequent re-valuations. Derivative instruments are not used for the reporting of hedging. Changes in fair value are, therefore, reported immediately in the income statement under Operating income.

EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are reported, net after tax, in equity with a deduction for the proceeds of the issue. In case of a repurchase of shares, the retained earnings are reduced by the amount paid for the shares. When own shares are sold, profit brought forward increases by the amount received.

REMUNERATION TO EMPLOYEES

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' services during current or previous periods are charged to the Group's result.

In defined benefit plans, employee benefits and former employee benefits are based on the employee's salary at the point of retirement and on the number of years of service. The Group carries the risk of the benefits being paid out.

The liability which is reported in the balance sheet and attributed to defined benefit plans is the present value of the defined benefit obligations at balance sheet date less the fair value of investment assets, adjusted for non-reported actuarial profits/losses for service during previous periods. The defined benefit obligations are calculated yearly by an independent actuary, applying the so-called projected unit credit method. This method allocates pension expenses in pace with the employees' performance of services for the Company, which increases their right to future remuneration. The Company's obligations are valued at the present value of the expected future payments, utilising a discount rate corresponding to interest on first class corporate bonds or, alternatively, government bonds with a duration corresponding to the obligation in question. The most important actuarial obligations are specified in Note 19.

Actuarial profits and losses can arise in the determination of the present value of the obligations. These can arise either due to the fact that the current circumstances deviate from previously-made assumptions, or because the assumptions have changed. The portion of the accumulated actuarial profits and losses which, at the close of the previous year, exceeded 10 percent of the greater of the obligation's present value and the fair value of plan assets, is reported in the income statement according to the employee's average remaining period of service.

Expenses attributable to service during previous periods are reported directly in the income statement, if the changes to the pension plan are not conditional upon the employee's continued service during the prescribed period of time (vesting period). In such cases, the expenses attributable to service during previous periods are allocated on a straight-line basis over the entire earning period.

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 expenses when they mature. Prepaid premiums are reported as assets to the extent that cash repayment or a decrease in future payments of such may benefit the Group.

SHARE-RELATED REMUNERATION

The Group does not have any agreements regarding share-related remuneration.

REMUNERATION FOLLOWING TERMINATION

Remuneration following termination commences when an employee's period of employment is terminated prior to the normal pensionable age or when an employee voluntarily accepts termination of employment in exchange for such remuneration. The Group reports severance pay when there is a demonstrable obligation either to terminate the employment according to a detailed, formal plan without the possibility of reinstating the employment, or when it is required to provide remuneration following the termination of employment as a result of an offer to encourage voluntary termination of employment. Benefits maturing more than 12 months from the balance sheet date are discounted to present value.

PROVISIONS

Provisions are recognised when the Group has a statutory or informal obligation to do so as a result of events that have arisen, when it is more probable that an outflow of resources is required to settle the obligation than would have been required if payment were not made, and when it has been possible to calculate the amount in a reliable manner. 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's obligations. A provision is reported even if the probability of an outflow for a special 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 remaining shares before and after dilution.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the ultimate decision-making body. The ultimate decision-making body is that function responsible for allocating resources and assessing operating segment results. The Group has identified this duty as that of the Executive Director who makes the strategic decisions.

Expenses attributable to the segment are comprised of both direct expenses and Group-wise expenses. Unspecified expenses represent Group-wise expenses. Segment assets consist mainly of intangible assets, tangible fixed assets, inventories and accounts receivable – trade. Segment liabilities consist mainly of accounts payable – trade and accruals and deferrals.

DIVIDENDS

Dividends to AB Fagerhult's shareholders are recognised as liabilities in the Group's financial report in the period in which the dividends have been resolved upon by the shareholders in the Parent Company.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2. RFR 2 stipulates that the Parent Company shall, in its financial statements, apply International Financial Reporting Standards (IFRS) as adapted by the EU, to the degree that it is possible to comply with the framework of the Swedish Annual Accounts Act, and with regard to the relationship between accounting and taxation. RFR 2 stipulates those exceptions and amendments to be made in relation to IFRS. Identified differences between accounting principles in the Group and the Parent Company mainly refer to IAS 12 Income tax. The amounts transferred to untaxed reserves constitute taxable temporary differences. Due to the relationship 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. Balance sheet appropriations are reported at gross value in the income statement.

Group contributions from subsidiaries are reported in the income statement under the item "Income from shares in subsidiaries".

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires that qualified estimations and assessments be made for accounting purposes. Furthermore, Company management undertakes assessments in the application of the Group's accounting principles. Estimates and assessments can affect the income statement and the balance sheet, as well as any additional information which has been reported in the financial statements. Consequently, changes in valuations and assessments can lead to changes in the financial statements.

CONSIDERATION OF THE WRITE DOWN REQUIREMENT FOR GOODWILL

For the Group, it has been determined that the estimates and assessments made in connection with assessment of write-down requirements on goodwill are of significance for the consolidated accounts. Annually, the Group reviews to determine whether there is a requirement for the write-down of carrying amounts. The recoverable amount of cash-generated units is determined through the assessment of value in use. These assessments are based on certain assumptions regarding the future which, for the Group, are associated with a risk of material adjustments of reported values during the forthcoming financial year. Significant assumptions and effects of reasonable changes of such appear in Note 10.

If the estimated cost of capital applied in determining the discount rate before tax for the cash-generating units had been 2% higher (e.g. 14% instead of 12%) than the management's assessment, such increase in the cost of capital would not have resulted in a write-down requirement.

PROVISIONS FOR PENSIONS, ETC

Estimates and assessments play an important role in, amongst other things, the valuation of items, actuarial assumptions for the assessment of pension commitments and other provisions, as well as in the valuation of contingent liabilities. Estimations and assessments are continuously evaluated and are based on both historical experience and reasonable expectations for the future. The present values of pension commitments are based on assumptions which are reported in Note 19.

APPLICATION OF NEW OR REVISED STANDARDS

The Group has applied the following new and amended IFRS from 1 January 2011:

IAS 24 (revised), "Related Party Disclosures", published November 2009, replaces IAS 24 "Related Party Disclosures", issued in 2003. The revised standard clarifies and simplifies the definition of an associated company, and removes the requirements for the companies controlled or significantly influenced by the government to disclose information about all transactions with other entities controlled, or significantly influenced by the same government.

Other standards and interpretations applicable from 1 January 2011 have no impact on the financial statements.

New standards, amendments and interpretations of existing standards that have not yet come into force, and that have not been adopted early by the Group. The Group and Parent Company's assessments of the impact of these new standards and interpretations are listed below:

IAS 19 "Employee Benefits", was amended in June 2011. The amendment implies that the Group will stop applying the "corridor approach" and instead recognise all actuarial gains and losses in Other comprehensive income as incurred. Cost of past service will be reported immediately. Interest expenses and expected return on plan assets will be replaced by a net interest calculated using the discount rate, based on the net surplus or net deficit in the defined benefit plan. The Group intends to apply the amended standard for the financial year beginning 1 January 2013 and assesses that it will have an adverse effect on equity of approx MSEK 32 net of tax effects. The standard has not yet been adopted by the EU.

Several other amendments to standards and new statements have been published. These are, however, currently not deemed to have any material impact on the Company's financial statements.

Note 1 | Segment reporting

	Northern Europe		Great Britain, Ireland and the Middle East		Other Europe		Asia and Australia		Other		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net sales and Income														
Net sales	1,624.4	1,586.3	743.9	631.2	753.1	409.3	208.0	216.9			–306.6	–338.1	3,022.8	2,505,6
(of which sales in Sweden)	*(302.2)*	*(332.1)*	*(3.5)*	*(5.8)*	*(0.9)*	*(0.2)*	*(0.0)*	*(0.0)*			*–(306.6)*	*–(338.1)*	*(0.0)*	*(0.0)*
Operating income by line of business	120.0	57.6	69.6	54.9	124.2	26.3	19.0	28.3	–15.6	–18.9			317.2	148.2
Unclassified costs													0.0	4.7
Operating profit													317.2	152.9
Financial income													10.0	6.3
Financial expenses													–42.2	–24.6
Tax expenses for the year													–77.8	–40.1
Net profit for the year													**207.2**	**94.5**
Other disclosures														
Fixed assets	350.9	367.1	339.2	234.6	570.6	586.6	106.4	106.3	5.3	4.4			1,372.4	1,299.0
Other assets	786.2	699.0	345.5	260.0	361.7	251.5	102.2	103.9	1.4	0.6	–222.5	–184.0	1,374.5	1,131.0
Unclassified assets													29.7	39.6
Total assets													**2,776.6**	**2,469.6**
Liabilities	363.1	361.1	170.2	148.4	175.5	127.1	58.5	72.7	14.3	6.5	–115.8	–114.9	665.8	600.9
Unclassified liabilities													1,218.4	1,146.3
Total liabilities													**1,884.2**	**1,747.2**
Investments	33.8	52.8	21.9	17.3	17.8	8.3	3.0	5.2					76.5	83.6
Depreciation/Amortisation	58.7	62.3	11.7	9.6	13.0	6.3	5.7	5.4					89.1	83.6
Sales per market														
Sweden	726.0	699.3	0.6		2.4	0,9							729.0	700.2
Great Britain	1.1	5.0	674.5	592.1	15.9	3.3							691.5	600.4
Germany	6.0	7.4	3.5		313.8	103.1							323.3	110.5
Norway	230.3	234.5	0.5		4.8	1.5							235.6	236.0
Australia					6.6	2.0	204.7	211.9					211.3	213.9
Holland	0.5	1.1	2.0		148.8	159.5							151.3	160.6
Finland	145.2	130.9			0.6	0.2							145.8	131.1
Denmark	125.6	113.8			0.5	0.2							126.1	114.0
United Arab Emirates			45.3	23.0	25.3	3.4							70.6	26.4
France	1.5	3.0	0.3		58.8	54.2							60.6	57.2
Other	86.0	59.2	13.7	10.3	174.7	80.8	3.3	5.0	0.0	0.0			277.7	155.3
Total	**1,322.2**	**1,254.2**	**740.4**	**625.4**	**752.2**	**409.1**	**208.0**	**216.9**	**0.0**	**0.0**			**3,022.8**	**2,505.6**

Fagerhult has chosen to divide its operations into four business areas based on geographic regions as well as other activities:

Northern Europe. This business segment comprises our units and companies in the Nordic countries, Baltic countries, and Russia. Added to this is the factory in China with manufacturing and purchasing. Development work, manufacturing and sales are conducted in Sweden, while operations in other markets, except for China, refer only to sales.

Great Britain, Ireland and the Middle East. This business area comprises our companies in England and Ireland and operations in the United Arab Emirates. The dominant operation is Whitecroft Lighting, which engages in the development, production and sales of lighting systems. During the second quarter Designplan Lighting Ltd. was added. Other entities are engaged in sales activities.

Other Europe. This business area comprises our companies in Germany, Holland, France, Spain, Poland and Austria. The dominant operation is LTS Licht & Leuchten GmbH, which engages in the development, manufacture and sales of lighting systems. Other entities are engaged in sales activities.

Asia and Australia. This business area includes primarily the operations in Australia where, in addition to sales, manufacturing also takes place. Added to this are the operations in China, referring to sales on the Chinese market.

Other. Primarily the Parent Company and certain Group-wide functions.

Note 1, continued

Information per product area

	Sales 2011	Sales 2010
Indoor Lighting	1,976.9	1,881.8
Retail Lighting	848.6	456.7
Outdoor Lighting	197.3	167.1
Total	**3,022.8**	**2,505.6**

Indoor Lighting
This product area includes sales of indoor lighting for public environments, such as offices, schools, hospitals, industries, 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 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)	
	2011	2010	2011	2010	2011	2010
Parent Company	12.4	7.2	7.6	4.9	(2.5)	(2.1)
Subsidiaries	715.1	623.0	191.7	174.5	(39.4)	(38.8)
Group	**727.5**	**630.2**	**199.3**	**179.4**	**(41.9)**	**(40.9)**

Salaries and other remuneration to members of the Board, the Chief Executive Officer and senior management

	2011			2010		
	Salaries and other remuneration	(of which variable remuneration)	Pension expenses	Salaries and other remuneration	(of which variable remuneration)	Pension expenses
Parent Company, 10 (9) employees	11.2	(2.8)	2.3	6.2	(0.5)	1.6
Subsidiaries, 25 (22) employees	27.4	(2.1)	1.4	30.6	(2.6)	4.5
Group	**38.6**	**(4.9)**	**3.7**	**36.8**	**(3.1)**	**6.1**

Remuneration to senior management during the year

	Basic salary / Remuneration	Variable remuneration	Other benefits	Pension expenses	Total
Parent Company					
Chairman of the Board, Jan Svensson	0.4	–	–	–	0.4
Board Member, Eric Douglas	0.3	–	–	–	0.3
Board Member, Anna Malm Bernsten	0.2	–	–	–	0.2
Board Member, Björn Karlsson	0.2	–	–	–	0.2
Board Member, Eva Nygren	0.2	–	–	–	0.2
Board Member, Fredrik Palmstierna	0.2	–	–	–	0.2
CEO	3.1	1.4	0.1	0.9	5.5
Other senior management (3 individuals)	4.0	1.4	0.3	1.3	7.0
	8.6	**2.8**	**0.4**	**2.2**	**14.0**
Subsidiaries					
Other senior management (2 individuals)	**2.9**	**1.0**	**0.2**	**0.5**	**4.6**
Group	**11.5**	**3.8**	**0.6**	**2.7**	**18.6**

Note 2, continued

Remuneration to the Board of Directors was determined at the 2011 Annual General Meeting. 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 remuneration in accordance with the resolutions of the Annual General Meeting. 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 determined by the CEO in consultation with the Remuneration Committee.

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

Variable remuneration to the CEO is maximised at the equivalent of 50 percent of fixed salary. Variable salary is based on the Group's profit/loss after net financial income/expenses and the return on capital employed. In addition to the annual bonus, there is a long-term incentive scheme in which the outcome depends on Fagerhult's market capitalisation as of 31 December 2012. The bonus is capped at 12 monthly salaries.

For other senior management, variable remuneration is maximised at 20–40 percent of the basic salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for operating income, the Group's profit/loss after net financial income/expenses and the outcome of individual activity plans.

In certain cases, there is a long-term incentive scheme.

Pensions

The retirement age of the CEO and other senior management is 65 years. Pension insurance at an amount corresponding to 32 percent of the fixed annual salary is paid for the CEO. Pension benefits for the Executive Director and other senior management are paid within the framework of current supplementary pension plans (ITP) for salaried employees.

Severance Pay

The period of notice of termination for the CEO is 6 months if termination is initiated by the company and 6 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 monthly salaries. Severance pay is deducted against other earned income.

For other senior management, the period of notice is 12 months if initiated by the company, and 6 months if initiated by the employee. There is no specific agreement regarding retirement age, future pension or severance pay to Board members and other senior management.

Note 3 | Interest income and similar profit items

	Group		Parent Company	
	2011	2010	2011	2010
Interest income	2.4	2.1	0.1	–
Exchange rate gains	2.2	15.1	–	4.7
Other financial income	5.4	–	–	–
Total	**10.0**	**17.2**	**0.1**	**4.7**
of which Group companies			**–**	**–**

Note 4 | Interest expenses and similar loss items

	Group		Parent Company	
	2011	2010	2011	2010
Interest expenses	38.4	14.2	17.2	8.1
Exchange rate losses	2.8	8.9	0.9	–
Other financial expenses	1.0	1.5	0.5	1.0
Total	**42.2**	**24.6**	**18.6**	**9.1**
of which Group companies			**–**	**–**

Note 5 | Accounts receivable

	Group		Parent Company	
	2011	2010	2011	2010
Age analysis of outstanding accounts receivable				
Accounts receivable, not yet due	400.7	336.0	–	–
Due accounts receivable without write-down requirement:				
< 3 months	108.9	94.6	–	–
3–12 months	27.6	16.2	–	–
> 12 months	1.8	1.8	–	–
	138.3	**112.6**	**–**	**–**
Due accounts receivable with write-down requirement:				
< 3 months	5.4	9.3	–	–
3–12 months	0.9	1.1	–	–
> 12 months	2.9	4.0	–	–
	9.2	**14.4**	**–**	**–**
Provisions for doubtful accounts receivable	**–8.6**	**–14.6**	**–**	**–**
Book value	**539.6**	**448.4**	**–**	**–**
Change in reserve for doubtful debts				
Opening reserve	**–14.6**	**–18.1**	**–**	**–**
Established losses	3.7	1.1	–	–
Reversed unutilised provisions	4.5	5.7	–	–
Provisions for the year	–2.1	–4.9	–	–
Translation differences	–0.1	1.6	–	–
Closing reserve	**–8.6**	**–14.6**	**–**	**–**

Note 6 | Income from shares in subsidiaries

	Group		Parent Company	
	2011	2010	2011	2010
Profits attributable to disposal of subsidiaries	–	3.0	–	12.9
Transaction costs from acquisition of subsidiaries	–	–13.9	–	–
Group contributions received and dividends	–	–	115.4	55.7
Total	**–**	**–10.9**	**115.4**	**68.6**

Note 7 | Depreciation/Amortisation and write-downs

Amortisation of intangible assets in the Group amounts to 14.5 (16.1) and of tangible fixed assets 74.6 (67.5). Write-downs amount to 0.0 (0.0). Amortisation/depreciation and write-downs are specified per function in the income statement as follows:

	Group		Parent Company	
	2011	2010	2011	2010
Brands				
Costs of goods sold	2.9	3.1	–	–
Total	**2.9**	**3.1**	**–**	**–**

Note 7, continued

	Group		Parent Company	
	2011	2010	2011	2010
Other intangible assets				
Costs of goods sold	10.1	11.7	–	–
Selling expenses	0.6	0.5	–	–
Administrative expenses	0.9	0.8	–	–
Total	**11.6**	**13.0**	**–**	**–**
Land and buildings				
Costs of goods sold	4.3	4.2	–	–
Selling expenses	1.1	0.8	–	–
Administrative expenses	0.5	0.6	–	–
Total	**5.9**	**5.6**	**–**	**–**
Plant and machinery				
Costs of goods sold	40.8	41.8	–	–
Total	**40.8**	**41.8**	**–**	**–**
Equipment, fixtures and fittings				
Costs of goods sold	13.7	8.2	–	–
Selling expenses	9.7	7.5	–	–
Administrative expenses	4.5	4.4	–	–
Total	**27.9**	**20.1**	**–**	**–**

Note 8 | Tax on net profit for the year

	Group		Parent Company	
	2011	2010	2011	2010
Current tax	79.4	43.1	14.0	0.9
Change due to changed tax rate in Sweden	–	–	–	–
Deferred tax	–1.6	–3.0	–	–
Total	**77.8**	**40.1**	**14.0**	**0.9**

Difference between the Group's tax expenses and tax expenses based on current rates				
Reported profit before taxes	285.0	134.6	78.1	60.3
Tax according to current tax rates	75.0	35.4	20.5	15.9
Tax effect of non-deductible expenses	1.6	1.9	0.2	0.2
Tax effect of non-taxable income	–0.2	–1.1	–6.7	–15.2
Effect of foreign tax rates	1.5	3.9	–	–
Tax on net profit for the year according to income statement	**77.8**	**40.1**	**14.0**	**0.9**

Note 9 | Deferred tax

	Group		Parent Company	
	2011	2010	2011	2010
Deferred tax expenses/revenue for the year				
Deferred tax revenue referring to temporary differences	–6.9	–5.5	–	–
Deferred tax expenses referring to temporary differences	5.3	2.5	–	–
Total	**–1.6**	**–3.0**	**–**	**–**

Note 9, continued

Temporary differences

Temporary differences referring to the following items have resulted in deferred income tax liabilities and deferred tax assets. These items do not have any limited useful lifetimes.

	Group		Parent Company	
	2011	2010	2011	2010
Deferred income tax liabilities				
Surplus in acquired subsidiaries	36.5	33.6	–	–
Other intangible assets	0.4	1.5	–	–
Other financial assets	0.5	–	–	–
Buildings	2.2	1.1	–	–
Machinery and equipment	4.4	5.1	–	–
Untaxed reserves	19.2	20.2	–	–
Pension provisions	1.8	1.5	–	–
Total deferred income tax liabilities	**65.0**	**63.0**	**–**	**–**
Deferred tax assets				
Buildings	–	0.4	–	–
Machinery and equipment	0.9	–	–	–
Other financial assets	0.5	–	–	–
Inventories	1.9	1.5	–	–
Current receivables	4.3	4.5	–	–
Pension provisions	0.1	0.2	–	–
Current liabilities	2.7	3.2	–	–
Total deferred tax assets	**10.4**	**9.8**	**–**	**–**
Temporary differences referring to investments in subsidiaries for which deferred tax liabilities have not been reported as a sale would not result in taxation.	476.9	326.9	–	–

Note 10 | Intangible assets

	Group		Parent Company	
	2011	2010	2011	2010
Goodwill				
Opening acquisition cost	806.4	389.8	–	–
Acquisition of subsidiaries	70.0	450.6	–	–
Translation differences	1.2	–34.0	–	–
Closing accumulated acquisition cost	877.6	806.4	–	–
Opening write-downs	0.0	0.0	–	–
Sales and disposals	–	–	–	–
Closing accumulated write-downs	0.0	0.0	–	–
Book value	**877.6**	**806.4**	**–**	**–**
Brands				
Opening acquisition value	108.6	64.5	–	–
Acquisition of subsidiaries	16.8	51.3	–	–
Translation differences	0.8	–7.2	–	–
Closing accumulated amortisation	126.2	108.6	–	–
Opening amortisation	–15.3	–12.7	–	–
Amortisation for the year	–2.9	–3.1	–	–
Translation differences	–0.2	0.5	–	–
Closing accumulated amortisation	–18.4	–15.3	–	–
Book value	**107.8**	**93.3**	**–**	**–**

Note 10, continued

	Group		Parent Company	
	2011	2010	2011	2010
Other intangible assets				
Opening acquisition value	90.4	79.7	–	–
Acquisition of subsidiaries	–	3.5	–	–
Purchases	5.6	8.3	–	–
Translation differences	0.1	–1.1	–	–
Closing accumulated amortisation	96.1	90.4	–	–
Opening amortisation	–62.0	–46.8	–	–
Acquisition of subsidiaries	–	–2.8	–	–
Amortisation for the year	–11.6	–13.0	–	–
Translation differences	–0.1	0.6	–	–
Closing accumulated amortisation	–73.7	–62.0	–	–
Book value	**22.4**	**28.4**	**–**	**–**

The item "Other intangible assets" includes capitalised expenditure for product development which is internally generated, at a book value of MSEK 5.4 (5.9).

Testing of write-down requirements regarding goodwill and brands with indefinite useful life
Goodwill is distributed amongst the Group's cash generating units and is identified per segment according to the following.

	Group	
	2011	2010
Northern Europe	87.8	87.9
Great Britain, Ireland and the Middle East	246.1	155.6
Europe, Other	531.4	536.5
Asia and Australia	78.9	77.7
Total	**944.2**	**857.7**

Each year the Group performs a test of each cash generating unit in order to assess whether a write-down requirement exists in accordance with the applied accounting principles. The recoverable amount for each cash generating unit is determined by calculating the value in use, which is comprised of the present value of estimated future payments expected to arise from the asset during its useful lifetime, including the calculated residual value at the end of its useful lifetime. 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 percent has been applied, which is assessed as a conservative estimate. The direct method of reporting operating cash flow has been applied.

Management has designated a budgeted operating margin based on previous results and expectations of future market development. The discount rate after tax which has been applied is 12 (12) percent. The risk-free rate is currently historically low. As the risk premium on the stock markets is relatively high, these two factors together imply that the discount rate remains as previously. It is estimated that the discount rate can be applied to all segments as the circumstances are, at the moment, similar.

Significant assumption
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 applied to extrapolate cash flow beyond the budget period is 2 percent.

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

Assumptions applied
The discount rate before tax of 12 percent.
Exchange rates: NOK 1.15, DKK 1.22, EUR 9.10, GBP 11.00.

Sensitivity analysis
The recoverable amounts exceed the reported value of goodwill by a significant margin. This also applies to each individual assumption provided that:
- the discount rate before taxes would have been 14 percent.
- the estimated growth rate applied to extrapolate cash flows beyond the budgeted period would have been 1 percent.

Note 11 | Tangible fixed assets

	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Land and buildings				
Opening acquisition value	171.6	175.4	–	–
Acquisition of subsidiaries	–	4.2	–	–
Sales of subsidiaries	–	–14.8	–	–
Purchases	10.3	9.3	–	–
Sales	–12.7	–	–	–
Translation differences	0.4	–2.5	–	–
Closing accumulated acquisition value	169.6	171.6	–	–
Opening depreciation	–90.1	–92.1	–	–
Acquisition of subsidiaries	–	–3.7	–	–
Sales of subsidiaries	–	9.5	–	–
Depreciation for the year	–5.9	–5.6	–	–
Sales	10.1	–	–	–
Translation differences	–0.4	1.8	–	–
Closing accumulated depreciation	–86.3	–90.1	–	–
Book value	**83.3**	**81.5**	**–**	**–**
of which land	3.8	6.3	–	–
Book value of properties in Sweden	75.6	75.7	–	–
Tax assessment value of properties in Sweden	71.2	71.2	–	–
Plant and machinery				
Opening acquisition value	539.0	514.9	–	–
Acquisitions of subsidiaries	40.6	71.9	–	–
Purchases	31.1	48.4	–	–
Sales and disposals	–3.8	–86.5	–	–
Translation differences	4.2	–9.7	–	–
Closing accumulated acquisition values	611.1	539.0	–	–
Opening depreciation	–365.2	–360.7	–	–
Acquisition of subsidiaries	–39.7	–54.6	–	–
Depreciation for the year	–40.8	–41.8	–	–
Sales and disposals	3.7	85.5	–	–
Translation differences	–2.5	6.4	–	–
Closing accumulated depreciation	–444.5	–365.2	–	–
Book value	**166.6**	**173.8**	**–**	**–**
Equipment, fixtures and fittings				
Opening acquisition value	255.9	172.4	–	–
Acquisition of subsidiaries	13.3	81.6	–	–
Purchases	29.5	17.6	–	–
Sales and disposals	–19.0	–2.4	–	–
Translation differences	1.2	–13.3	–	–
Closing accumulated acquisition values	280.9	255.9	–	–
Opening depreciation	–180.8	–103.6	–	–
Acquisition of subsidiaries	–12.4	–70.5	–	–
Depreciation for the year	–27.9	–20.1	–	–
Sales and disposals	17.1	2.2	–	–
Translation differences	–1.0	11.2	–	–
Closing accumulated depreciation	–205.0	–180.8	–	–
Book value	**75.9**	**75.1**	**–**	**–**

Note 11, continued

	Group		Parent Company	
	2011	2010	2011	2010
Constructions in progress and advance payments				
Opening acquisition value	19.8	13.6	–	–
Expenses accrued during the year	11.2	19.9	–	–
Reclassifications to buildings/machinery	–13.1	–12.9	–	–
Translation differences	–	–0.8	–	–
Book value	**17.9**	**19.8**	**–**	**–**

Note 12 | Financial fixed assets

	Group		Parent Company	
	2011	2010	2011	2010
Shares and participations in subsidiaries				
Opening acquisition value	–	–	616.3	616.4
Disposals during the year	–	–	–	–0.1
Book value	**–**	**–**	**616.3**	**616.3**
Receivables with subsidiaries				
Opening receivables	–	–	929.1	260.7
Change during the year	–	–	162.6	668.4
Closing receivables	**–**	**–**	**1,091.7**	**929.1**
Other shares and participations				
Opening acquisition value	6.3	1.7	–	–
Acquisitions during the year	1.1	6.1	–	–
Disposals during the year	–	–1.5	–	–
Closing receivables	**7.4**	**6.3**	**–**	**–**
Other long-term receivables				
Opening receivables	4.6	5.4	–	–
Paid receivables	–1.5	–0.8	–	–
Closing receivables	**3.1**	**4.6**	**–**	**–**

The fair value of the Group's financial fixed assets is equal to their book value.

Note 13 | Shares and participations in subsidiaries

Disclosures regarding wholly-owned subsidiaries' and sub-subsidiaries' Corporate Identity Numbers and Registered offices:

	Corporate Identity Number	Registered offices	Number of shares	Book value
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
Ateljé 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

Note 13, continued

	Corporate Identity Number	Registered offices	Number of shares	Book value
Fagerhult Oü, Estonia	10703636	Tallin	5,400	1.6
Fagerhult BV, Netherlands	96121	IJsselstein	2,250	10.3
Waco NV, Belgium	BE 0492.822.044	Baaigem	9,400	23.2
Fagerhult GmbH, Germany	13135 B	Hamburg	1	10.3
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	672.3
Fagerhult Central Europe GmbH, Austria	FN 305989	Vienna	1	0.3
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	3.6
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6
Designplan International Ltd, UK	02182306	Sutton	1	0.0
Fagerhult Lighting Ltd, UK	3488638	London	40,000	0.5
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	19.9
Fagerhult Sp.z.o.o., Poland	260213	Warsaw	1,000	0.1
Fagerhult France, France	391138385	Lyon	4,200	48.1
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	0.0
Fagerhult SPb, Russia	1097847074544	St Petersburg	1	0.0
LLC LampGustaf, Russia	1034702184560	St Petersburg	1	0.0

Note 14 | Prepaid expenses and accrued income

	Group		Parent Company	
	2011	2010	2011	2010
Prepaid rent	13.2	10.1	–	–
Insurance	3.3	2.5	–	–
Licenses	1.5	0.4	–	–
Consultancy fees	2.1	3.2	–	0.3
Supplier Bonus	0.3	0.4	–	–
Social security contributions	1.0	1.1	0.2	0.2
Non-invoiced income	2.1	0.7	1.1	–
Other items	7.7	6.7	0.2	0.1
Total	**31.2**	**25.1**	**1.5**	**0.6**

Note 15 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facility at year-end amounted to MSEK 151.0 (150.9) for the Group and MSEK 146.9 (146.8) for the Parent Company.

The Group's borrowing incurring interest

	Group		Parent Company	
	2011	2010	2011	2010
Due dates for long-term loans				
Within one year	29.2	114.7	102.3	140.2
Between one and five years	1,169.0	1,006.3	1,168.9	1,006.3
Total	**1,198.2**	**1,121.0**	**1,271.2**	**1,146.5**

Note 15, continued

The fixed interest period for interest incurring on the loans is 3 months, as of balance sheet date

	2011		2010	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Average interest expenses on borrowing				
Long-term borrowing, SEK	3.2	453.3	3.3	401.6
Long-term borrowing, EUR	3.1	548.3	3.3	551.9
Long-term borrowing, GBP	2.5	167.4	3.3	52.8
Total		**1,169.0**		**1,006.3**
Short-term borrowing, SEK	2.4	16.7	3.3	102.2
Short-term borrowing, EUR	3.1	12.5	3.3	12.5
Total		**29.2**		**114.7**

Note 16 | Accrued expenses and deferred income

	Group		Parent Company	
	2011	2010	2011	2010
Accrued salaries and remuneration	93.0	89.3	3.2	0.9
Accrued social security contributions	26.7	29.5	1.6	0.7
Bonus to customers	22.1	19.0	–	–
Reclamations	6.9	10.3	–	–
Royalty	2.3	2.9	–	–
Rent	0.2	5.5	–	–
Audit fees	2.2	1.6	–	–
Shipping	1.8	1.2	–	–
Financial items	8.9	6.0	3.5	1.9
Other items	36.0	38.0	2.1	1.9
Total	**200.1**	**203.3**	**10.4**	**5.4**

Note 17 | Pledged assets

	Group		Parent Company	
	2011	2010	2011	2010
For own liabilities				
Floating charges	4.1	4.7	–	–
Total pledged assets	**4.1**	**4.7**	**–**	**–**

Note 18 | Contingent liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Warranty FPG	0.9	0.9	–	–
Warranty for Subsidiaries	–	–	14.7	14.9
Warranties, Customs authorities	0.5	0.5	–	–
Guarantees for subsidiaries	–	–	54.6	43.1
Other contingent liabilities	2.5	–	–	–
Total pledged contingent liabilities	**3.9**	**1.4**	**69.3**	**58.0**

Note 19 | Provisions for pensions and similar commitments

	Group		Parent Company	
	2011	2010	2011	2010
Provisions for pensions PRI (interest bearing)	42.8	41.5	–	–
Provisions for other pensions	3.6	0.2	–	–
Total	**46.4**	**41.7**	**–**	**–**

Defined benefit plans
Within the Group there are defined benefit plans in Sweden, Norway and the Netherlands in which employees retain the right to remuneration after they have terminated their employment, based on the salary level at the time of termination and on the period of service. The Group does not have any plan assets.

Pension Insurance with Alecta
Commitments for retirement pensions and family pensions for salaried employees in Sweden are guaranteed through insurance with Alecta. According to a statement made by the Emerging Issues Task Force UFR 3 of the Swedish Financial Accounting Council, this is a defined benefit plan covering several employers. For the financial year 2011, the Group did not have access to the information which would enable it to report this plan as a defined benefit plan. The ITP pension plan which is insured through insurance premiums with Alecta is, therefore, reported as a defined contribution plan. Contributions for pension insurance for the year, subscribed with Alecta, amount to MSEK 12.8 (11.3). Alecta's surplus can be distributed among the policy holders and/or the insured individuals. At the end of December 2011, Alecta's surplus, in the form of the collective consolidation level, amounted to 113 % (146%). The collective consolidation level is comprised of the market value of Alecta's assets as a percentage of the insurance commitments, calculated in accordance with Alecta's actuarial calculation assumptions, which is not in compliance with IAS 19.

Defined benefit pension plans

	Group	
	2011	2010
The amounts reported in the consolidated income statement:		
Expenses regarding service in the present year	3.7	4.4
Interest expenses	3.2	3.4
Actuarial losses	0.6	0.3
Losses (+) or gains (–) of any curtailments or settlements	–1.1	–1.2
Total	**6.4**	**6.9**
Specification of changes in net liabilities reported in the consolidated balance sheet		
Net liability at beginning of year in accordance with prepared balance sheet	41.7	42.2
Net expenses reported in the income statement	6.4	6.9
Benefit payments	–1.7	–7.4
Net liabilities at year-end	**46.4**	**41.7**
The amounts reported in the balance sheet have been calculated according to the following:		
Present value of commitments	78.5	64.3
Unreported actuarial losses	–32.1	–22.6
Net liabilities at year-end	**46.4**	**41.7**
Total pension expenses		
Total pension expenses reported in the consolidated income statement		
Total expenses for defined benefit plans	6.4	6.9
Total expenses for defined contribution plans	38.7	37.4
Total pension expenses	**45.1**	**44.3**
Pension expenses are allocated in the consolidated income statement amongst the following items:		
Cost of goods sold	12.3	12.0
Selling expenses	21.6	21.2
Administration expenses	8.0	7.7
Financial expenses	3.2	3.4
Total	**45.1**	**44.3**

Note 19, continued

Actuarial assumptions

	Group	
	2011	2010
Significant actuarial assumptions as of the balance sheet date (expressed as weighted averages)		
Discount rate	3.75%	4.00%
Future annual salary increases	3.00%	3.00%
Future annual pension increases	2.00%	2.00%
Employee turnover	3.00%	3.00%

Assumptions regarding expected lifetime is 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 10.5 (4.9) refers to the 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 Group CEO and other senior management is reported in note 2.

Note 21 | Average number of employees

	2011		2010	
	Number of employees	Men %	Number of employees	Men %
Parent Company	6	67	6	80
Subsidiaries				
Sweden	838	64	854	62
Norway	43	88	48	90
Denmark	28	64	26	58
Finland	30	63	28	61
Estonia	5	60	4	50
Netherlands	37	73	36	64
Germany	247	83	68	79
UK	544	71	418	71
France	24	48	27	56
Belgium	9	78	8	75
Spain	15	93	13	92
Poland	8	88	8	88
Russia	20	55	18	61
Ireland	5	80	5	80
Austria	7	86	8	88
Australia	109	64	84	62
New Zealand	2	100		
United Arab Emirates	7	71	7	71
China	244	50	260	52
Total in Subsidiaries	**2,222**	**67**	**1,920**	**64**
Group total	**2,228**	**67**	**1,926**	**64**

Note 21, continued

Members of the Board and senior management

	2011		2010	
	Number	Men %	Number	Men %
Group				
Members of the Board	6	67	6	67
Group CEO and other senior management	28	89	28	93
Parent Company				
Members of the Board	6	67	6	67
Group CEO and other senior management	4	75	3	100

Note 22 | Operational leasing agreements

	Group		Parent Company	
	2011	2010	2011	2010
Leasing charges for the year	60.9	58.0	0.3	0.3
The nominal value of future minimum leasing fees for leasing agreements that cannot be cancelled				
Within one year	58.5	44.1	0.4	0.3
Between one and five years	122.2	82.0	0.5	0.2
After five years	41.8	47.2	–	–
Total	**222.5**	**173.3**	**0.9**	**0.5**

Note 23 | Remuneration to auditors

	Group		Parent Company	
	2011	2010	2011	2010
Audit	3.4	3.3	–	–
Audit activities other than audit assignment	0.6	0.6	–	–
Tax consulting	0.7	0.9	–	–
Other services	0.9	1.3	–	–
Total	**5.6**	**6.1**	**–**	**–**

Note 24 | Expenses allocated according to type of cost

	Group		Parent Company	
	2011	2010	2011	2010
Raw materials and consumables	1,184.2	1,082.0	–	–
Changes in inventory of finished products and goods for resale and work in progress	–18.3	–105.3	–	–
Expenses for remuneration to employees (Notes 2 and 19)	926.8	809.6	20.0	12.1
Transport costs	91.4	89.9	–	–
Advertising and selling expenses	58.2	48.5	0.6	1.5
Expenditures for own properties and rented premises	78.1	68.1	–	–
External services	71.1	72.6	3.5	2.2
Amortisation/Depreciation and write-downs (Notes 7, 10 and 11)	89.1	83.6	–	–
Other costs	251.5	218.1	5.2	3.0
Total	**2,732.1**	**2,367.1**	**29.3**	**18.8**

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

Note 25 | Expenses for product development

	Group		Parent Company	
	2011	2010	2011	2010
Capitalised overhead expenses for product development	93.3	73.5	–	–

Note 26 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged. This refers primarily to payments from foreign subsidiaries. During the financial year, this has had a positive effect on the Group's operating income by MSEK 0.0 (positive 1.7). The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared to the expected flows during the coming 6 months was, as per the balance sheet date, USD 30 percent. The nominal value of these hedging contracts was MUSD 3.0 (MNOK 42.0). The Group does not apply hedge reporting in regards to these contracts. Had the Group redeemed its outstanding contracts per the balance sheet date at the current forward rate, the effect on results would have been +1.7 (–0.4).

Note 27 | Other provisions

The amount refers to both estimated additional purchase prices and expenses relating to acquired subsidiaries. Additional purchase prices and expenses relating to acquired subsidiaries which were paid during the year are reported in the cash flow statement in the item "Investments in subsidiaries".

Note 28 | Changes in the Group's composition – Acquisitions and disposals

Companies acquired this year

Designplan Lighting Ltd
To further strengthen its position on the British market, as well as to create a new product segment for the international market, Fagerhult acquired, as of March 2011, 100% of the shares in Designplan Lighting Ltd, with its registered offices in Sutton, UK. The Company manufactures light fixtures and lighting systems for demanding environments that require robust products, including public transport and prisons. The Company has 180 employees. Sales in 2010 amounted to GBP 11 million, showing profitability in line with the average for the Fagerhult Group. The company has been consolidated into Fagerhult as of the second quarter of 2011. The purchase price amounts to GBP 11.3 million, with an estimated additional purchase price of GBP 1 million (maximum GBP 2 million) based on estimated future income. Transaction costs of GBP 3.9 million have not been included in this figure.

The company's brand has been valued at MSEK 16.8, including deferred taxes of MSEK 5.0. The remaining amount of the surplus value has been assigned to goodwill relating to the acquired business' profitability and the expected synergies

The purchase price consists of the following components:

Cash paid	116.9
Additional purchase price	11.0
Total purchase price	**127.9**
Fair value of net assets acquired	57.9
Goodwill	**70.0**

The Company's impact on consolidated sales amounted to MSEK 116 and on consolidated net profit of MSEK 12.2 before transaction costs and capital costs. If the company had been part of the Group from the beginning of the year, this would have brought an increase in sales of MSEK 140 and a net profit before transaction costs and capital costs of MSEK 15.

Assets and liabilities included in the acquisition

	Fair value
Cash and cash equivalent	3.7
Tangible fixed assets	1.8
Financial fixed assets	1.5
Intangible assets	16.8
Inventories	2.5
Receivables	38.8
Liabilities	–22.2
Deferred tax liabilities	–5.0
Net assets	**57.9**

Note 28, continued

	Fair value
Net assets acquired	57.9
Cash regulated purchase price	116.9
Cash and cash equivalents in the acquired company	–3.7
Transaction costs	3.8
Change in the Group's cash and cash equivalents at acquisition	**117.0**

The nominal value of the acquired receivables amounted to MSEK 38.8 and the fair value amounted to MSEK 38.8. Transaction costs amounted to MSEK 3.8 and are reported in the income statement under the item "Administrative expenses".

Companies acquired during the previous year
In 2010, a subsidiary, LTS Licht & Leuchten GmbH, Germany, was acquired for the purchase price of MSEK 672.3. The acquisition is described in the 2010 Annual Report, Note 28.

Note 29 | Share capital

The share capital in AB Fagerhult totals SEK 65,535,000 (65,535,000) spread among 12,850,000 (12,850,000) shares with a quotient value per share of SEK 5.10 (5.10). Treasury shares total 238,000 and have a quotient value of SEK 1,213,800. All outstanding shares retain equal participation in the Parent Company's assets and profit and are fully paid. Each share entitles one vote.

	2011	2010
Change in the number of outstanding shares		
Number of outstanding shares at beginning of year	12,612,000	12,612,000
Number of outstanding shares at year-end	**12,612,000**	**12,612,000**

Note 30 | Parent Company

The Parent Company's corporate name is AB Fagerhult. The Company is a limited liability company, registered with the Swedish Companies Registration Office, with its registered offices in the County of Jönköping, the Municipality of Habo, and with Corporate Identity Number 556110-6203. The Company's visiting address is Fagerhult, Habo. 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 3,400 shareholders. The twelve largest shareholders together hold 84.8 (82.4) percent of the shares.

Ownership structure (as per 31 December 2011)

Shareholders	Number of shares	%
Investment AB Latour	3,976,800	31.5%
SÄKI AB	2,200,000	17.4%
The Svensson family, foundation and company	945,525	7.5%
SSB CL Omnibus AC, USA	629,209	5.0%
Lannebo Fonder	577,354	4.6%
Robur Småbolagsfond	540,659	4.3%
SEB Asset Management	400,000	3.2%
Fjärde AP-fonden	384 ,113	3.0%
Fondita Nordic Micro Cap SR, Finland	299,200	2.4%
The Palmstierna family	285,770	2.2%
Handelsbanken Swedish small business fund, etc	269,321	2.1%
Stiftelsen Stockholms Sjukhem	200,000	1.6%
Other shareholders	1,904,049	15.2%
Number of outstanding shares at year-end	**12,612,000**	**100.0%**

Note 31 | Dividends per share

An ordinary dividend of SEK 6.50 per share, totalling MSEK 82.0, will be proposed for 2011 at the Annual General Meeting on 24 April 2012. This amount has not been reported as a liability but will, instead, be reported in equity as an appropriation of profit for the financial year 2011. The dividend for 2010 amounted to MSEK 44.1 (SEK 3.50 per share).

Note 32 | Risks

FINANCIAL RISKS

Foreign exchange risk

Foreign exchange 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

In the international operations which Fagerhult undertakes, the clients pay in their own currency, via the global sales organisation, which implies that the Group assumes foreign exchange risks. Foreign exchange risks are also assumed in conjunction with the import of raw materials and components.

As a large part of the production takes place in Sweden, Fagerhult has a surplus inflow of foreign currency. The direct commercial foreign currency cash flow, after net calculations of flows in the same currency, shows a surplus of MSEK 162 (212). 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 percent for the coming 6–9 month period. When a statistical assessment of the foreign exchange situation is made, a change in the Swedish krona against other currencies of 1 percent, with all other variables being constant, would have affected the Group's profit/loss for the year by approximately MSEK 2 (3). The financial instruments are managed by the Parent Company's Board of Directors.

Translation exposure

Foreign exchange risks also arise in conjunction with the translation of foreign net assets and income, so-called translation exposure. This foreign exchange risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. The income in a foreign subsidiary is translated to Swedish krona based on the average rate for the year. The exposure of the Group's net assets outside of Sweden has increased as the operations there have changed from having previously referred to sales companies, to now also including production units. At balance sheet date, net assets in foreign companies are equivalent to MSEK 915 (644) including goodwill.

A weakening of the Swedish krona by 1 percent with all other variables remaining constant would result in an increase in equity of MSEK 9.1 (6.4) largely due to gains/losses on the translation of EUR and GBP. A change in the Swedish krona of 1 percent against other currencies would result in a direct impact on net sales in the subsidiaries of approximately MSEK22 (20) whilst the impact on results in the foreign subsidiaries is less than MSEK 2 (2).

Interest rate risk

Fagerhult holds no significant interest-bearing assets, which is the reason the Group's revenues and cash flow from ongoing operations are, in all material aspects, not dependent on changes in market interest rates.

The Group's interest rate risk arises in conjunction with long-term lending. In addition to pension liabilities, MSEK 46.4 (41.7) interest-bearing liabilities amount to MSEK 1,198.2 (1,121.0) and liquid funds to MSEK 305.7 (207.5). Borrowing on the basis of variable interest rates implies an interest rate risk for the Group as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest rate risk for the Group in terms of actual value. During 2011 and 2010, the Group's lending was comprised largely of loans with three-month fixed interest rates.

The Group analyses its exposure to interest rate risks on a dynamic basis. Various scenarios are simulated, whereby refinancing, re-negotiation of existing trading positions, alternative financing and hedging are taken into consideration. With these scenarios as the starting point, the Group calculates the impact on results which a given change in interest rates would produce. In each simulation, the same change in interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest bearing positions. Executed simulations show that the effect on the result of a change of 1 percent would be a maximum of MSEK 5, on the basis of the current capital structure. The simulation is made quarterly in order 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 2011 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 1.1 (0.8) higher/lower, primarily as an effect of higher/lower interest costs for borrowing on the basis of variable interest.

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 towards clients and banks, including receivables and agreed transactions. The investment of surplus cash is undertaken primarily in K1 graded commercial paper and in banks. Only banks and financial institutions which have received a credit rating 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 as the basis for decision making. In those cases in which an independent credit assessment does not exist, 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 established 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

Note 32, continued

2011 or 2010. The majority of receivables from customers are guaranteed through credit insurance. A total provision of MSEK 8.6 (14.6) has been reported for those customer receivables not expected to be collectable.

Liquidity risk

Liquidity risk is managed by ensuring that the Group has sufficient liquid assets and short-term investments on 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, there are no new borrowing requirements, but should such requirements arise, there is currently no difficulty in obtaining external credit, as long as such credit meets certain restrictions, on the part of 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 table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the time to maturity, as of balance sheet date. The amounts stated in the table are the contractually stipulated, undiscounted cash flows. Amounts falling due within 12 months correspond to the recorded amount, as the effect of discounting is negligible.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As of 31 December 2011				
Bank loans	69.2	40.0	1,289.0	–
Accounts payable and other liabilities	574.6	–	–	–
As of 31 December 2010				
Bank loans	153.1	38.0	1,120.3	–
Accounts payable and other liabilities	521.5	–	–	–

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

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 debt in relation to equity.

In 2011 the Group's strategy, which was unchanged compared to 2010, was to maintain a debt-equity ratio of between 0.5 and 1.0 and a credit rating of AAA. The credit rating of AAA has been maintained throughout the period. The debt/equity ratio as of 31 December 2011 was 1.4 (1.6).

OPERATIONAL RISKS

Price risk

Price risks 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 risks on financial instruments is minimal.

Risk associated with plants and stock

In addition to the above mentioned risks, all of which, in principle, impact the Fagerhult Group's cash flows, both restricted capital in fixed assets and stock, are exposed to risk. Rationalisations and a high level of utilisation of investments made have made it possible to maintain the value of capitalised assets at a comparatively low level. Consequently, the risk of a permanent write-down of fixed assets is considered unlikely. Risks associated with carrying stock 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 carrying stock is reduced and with that, the risk for obsolescence.

IT security

As computer-aided technology has assumed an increasingly greater scope within the companies, so the demands on security have 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 boxes. User access to the system is regulated via Group authorisations and entitlements based on the actual assignment and roles within the Company.

Insurance

The Fagerhult Group purchases and manages Group-wide insurance plans involving property and liability risks, creating co-ordination gains and cost advantages

Note 33 | Events after balance sheet date

The Board of Directors proposes a dividend payment of SEK 6.50 (3.50) per share which is equivalent to MSEK 82.0 (44.1).

Between the balance sheet date and the date upon which this annual report was signed, no significant events or information have arisen concerning the circumstances per the balance sheet date or thereafter, which may have either a positive or negative effect on the Group or any of the companies contained therein, and which require further disclosures, other than those stated 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 results of 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 factors of uncertainty facing the Parent Company and other companies within the Group. The income statement and the balance sheet will be submitted for adoption at the Annual General Meeting on 24 April 2012.

Habo, 15 March 2012

Jan Svensson
Chairman of the Board

Eric Douglas
Deputy Chairman

Anna Malm Bernsten
Board member

Björn Karlsson
Board member

Eva Nygren
Board member

Fredrik Palmstierna
Board member

Johan Hjertonsson
CEO

Magnus Nell
Employee representative

Lars Olsson
Employee representative

Our audit report was submitted on 15 March 2012.
Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF AB FAGERHULT (PUBL) CORPORATE IDENTITY NUMBER 556110-6203

REPORT ON ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of AB Fagerhult for the year 2011. The Company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 55–93.

THE BOARD OF DIRECTORS' AND THE GROUP CEO'S RESPONSIBILITY FOR THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

The Board of Directors and the Group CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and consolidated accounts in accordance with international financial reporting standards IFRS, as adopted by the EU, and the Annual Accounts Act, as well as for such internal control as the Board of Directors and the Group 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.

AUDITOR'S 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 Group 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 2011 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 2011 and of its financial performance and cash flow in accordance with international financial reporting standards IFRS, 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 Group CEO of AB Fagerhult for the year 2011.

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 Group CEO are responsible for administration according to the Swedish Companies Act.

AUDITOR'S 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.

AUDIT REPORT

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 circumstances of the company in order to determine whether any member of the Board of Directors or the Group CEO is liable to the company. We also examined whether any member of the Board of Directors or the Group 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 statutory administration report and that the members of the Board of Directors and the Group CEO be discharged from liability for the financial year.

Jönköping, 15 March 2012

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson Authorised Public Accountant Auditor-in-Charge	Martin Odqvist Authorised Public Accountant

CALENDAR

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of shareholders will be held on Tuesday, 24 April 2012 at 5 pm in Fagerhult, Habo.

REGISTRATION

Shareholders wishing to take part in the annual general meeting of shareholders must be registered in the shareholders' register kept by Euroclear Sweden AB on 18 April 2012 and register their intention to take part in the meeting to Fagerhult no later than 18 April 2012.

Registrations can be made by post to AB Fagerhult, 566 80 Habo, via e-mail to inga.callersjo@fagerhult or by telephone at +46 (0)8-522 359 75. Shareholders who have registered their shares with a nominee shareholder must, in good time prior to 18 April 2012, temporarily re-register the shares in their own name, through the nominee shareholder, in order to have the right to participate in the annual general meeting of shareholders.

DIVIDENDS

The Board of Directors proposes to the annual general meeting of shareholders a dividend of SEK 6.50 per share. The proposed reconciliation date is 27 April 2012, and, in the event that the annual general meeting of the shareholders adopts this proposal, the dividend will be distributed by Euroclear Sweden AB on 3 May 2012 to those registered in the shareholders register as at the date of reconciliation.

INFORMATION OPPORTUNITIES

24 April 2012	Annual general meeting of shareholders
24 April 2012	Interim Report 3 months
16 August 2012	Interim Report 6 months
22 October 2012	Interim Report 9 months

DEFINITIONS A TO Z

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

Debt/equity ratio Interest-bearing liabilities in relation to equity.

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

Equity/assets ratio Equity in relation to total assets.

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

Liquid ratio Liquid funds in relation to current liabilities.

Net investments Investments for the year in tangible fixed assets, less revenue for sold fixed assets.

Net liabilities Interest-bearing liabilities with deductions for cash and cash equivalents.

Number of employees Average number of yearly employed.

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.

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