FAGERHULT

YEAR-END REPORT 2018

Q4

The fourth quarter

Fourth quarter trading for the Fagerhult Group delivered a mixed set of results. Net sales and operating profit were strong, cash flow was ahead of last year. Order intake fell short of last year. During the quarter Fagerhult signed an agreement to acquire all of the shares of iGuzzini illuminazione S.p.A., thus creating one of Europe's leading lighting companies.

The order intake in the fourth quarter of 1,291(1,299) MSEK was 0.6% adverse to last year and when adjusted for currency effects (42.3 MSEK) and acquisition effects (104.2 MSEK) the result was 11.9% adverse as the Group experienced two specific regional challenges.

Firstly, in the UK, Brexit approaches, and the effects are now affecting the Group's businesses and whilst enquiry levels remain overall at the same level as Q4 2017, the conversion to orders has slowed and prior year comparables were high. The overall order intake in the UK in the quarter was approximately 35% adverse to 2017 as Q4 2017 recorded the booking of several significant orders totalling 82 MSEK for infrastructure, healthcare and energy reduction projects for two large retailers.

Secondly, the trading conditions in the Middle Eastern region (part of Africa, Asia & the Pacific), have been increasingly tough during the year with liquidity in short supply.

In the more significant regions of Northern, Western & Southern Europe order intake levels were ahead in Q4 2018 versus Q4 2017.

Net sales for the fourth quarter were 1,488 (1,320) MSEK, which represents an overall increase of 12.7%, reducing to 0.2% after adjusting for acquisitions (117.1 MSEK) and currency effects (48.7 MSEK). Regional performances were again strong in Northern, Western and Southern Europe and net sales in the UK was at the annual run-rate. The record high net sales in the quarter delivered an operating profit of 205.6 (172.4) MSEK, a 19.3% increase, resulting in an operating margin of 13.8 (13.1)%.

The operating cash flow in the quarter was a positive 287.4 (276.0) MSEK coming from a strong profit performance and a significant reduction in working capital.

In the quarter there was a one off M&A related transaction of 148.5 MSEK which has increased the operating result and relates to the contingent consideration arrangement from an earlier acquisition. This has been booked in 'Other operating income' in the Western and Southern Europe business area.

Also in the quarter, arising from the annual impairment testing of goodwill and brands with indefinite useful lives, there has been a write down of goodwill in the Western and Southern Europe business area by 138.9 MSEK, refer to later disclosure.

A dividend of SEK 2.00 (2.00) per share will be proposed by the Board at the AGM in May.

Q4

ORDER INTAKE, MSEK

1,291

Order intake was MSEK 1,291.2 (1,299.1), which is an overall decline of -0.6% adjusted to -11.9% for acquisitions of MSEK 104.2 and currency effects of MSEK 42.3

NET SALES, MSEK

1,488

Net sales were MSEK 1,488.1 (1,319.9), which is an overall growth of 12.7% adjusted to 0.2% for acquisitions of MSEK 117.1 and currency effects of MSEK 48.7

OPERATING PROFIT, MSEK

206

Operating profit was MSEK 205.6 (172.4) representing a 19.3% increase with an operating margin of 13.8 (13.1)%

EARNINGS AFTER TAX, MSEK

154

Earnings after tax were MSEK 154.2 (141.6), an increase of 8.9%

EARNINGS PER SHARE, SEK

1.35

Earnings per share were SEK 1.35 (1.24)

CASH FLOW FROM OPERATING ACTIVITIES, MSEK

287

Cash flow from operating activities was MSEK 287.4 (276.0)

Comments from the CEO

- Overall we are pleased with the achievements and performance during 2018, a year where the Group completed the acquisition of Veko, underwent a CEO change and signed the agreement to acquire iGuzzini.
- At the same time, the focus, hard work and dedicated effort shown in all of our businesses enabled the Group to continue to grow and deliver good results on many key measures. The net sales and operating profit set new records.
- The Group has completed the LED technology shift and in doing so is in a good position to embrace the connectivity challenge, a particularly important strategy for me, the business and the industry during the coming years. It is important to expand our extensive lighting knowledge and competencies into controls and connectivity.
- Short term we are planning and dealing with the some geo-political challenges, for example Brexit and the Turkish Lira, as well as a return to organic growth and in the medium term we look forward to developing even stronger positions in our chosen sectors.
- We are pleased with the start that Veko has made within the Group, good results and a high level of cooperation and I look forward to welcoming all iGuzzini members and employees to the Group during the coming months.

January–December

During 2018 the market activity in most of our medium-to-larger regions has remained mostly positive and at a good level. The exception is in the UK where we now see the impact of Brexit and the uncertainty this has created.

The Northern, Western & Southern European regions continue to deliver growing order intake levels compared with the prior year. On average and after adjusting for acquisitions the increase is 5-6% and this is driven in the majority of regions by organic growth with the Western & Southern European area also benefiting from currency tailwinds.

The UK region is challenged by the ongoing Brexit topic. We are planning for a hard Brexit and with two large factories in the UK, our businesses are well placed to continue to service the market. More than 80% of net sales are made locally and so creates an advantage.

In Africa, Asia & the Pacific the overall currency headwinds for 2018 are 5.5%, mainly from the weak Turkish Lira (21.5%). Despite this the business area continues to deliver net sales growth of 1.6% in the year, increasing to 7.1% adjusted for currencies.

The Western and Southern Europe business area, accounting for 37% of external net sales has now become the largest business area for the Group and as a result has de-risked regional exposures in Northern Europe and the UK & Ireland.

The Group's full year order intake at 5,691.7 (5,238.4) MSEK shows an overall 8.7% increase over 2017 with a -2.6% decrease when adjusted for acquisition and currency effects.

The operating profit of 705.8 (677.9) MSEK and the operating margin has improved steadily during the year and the performance remains strong in continental Europe; North, West & South.

Full year operating margins for the Group at 12.6 (13.1)% demonstrate a healthy performance. We continue to support our investments in growth activities, funded by efficiency savings.

Financial items were -39.1 (-25.4) MSEK with the increase being as a result of higher interest charges and lower positive currency effects than 2017. The tax expense for the period was -163.6 (-158.1) MSEK, which results in a 24.5% (24.2%) tax rate.

Q1-4

ORDER INTAKE, MSEK

5,692

Order intake was MSEK 5,691.7 (5,238.4), which is an overall growth of 8.7% adjusted to -2.6% for acquisitions of MSEK 421.5 and currency effects of MSEK 169.4

NET SALES, MSEK

5,621

Net sales were MSEK 5,621.0 (5,170.3), which is an overall growth of 8.7% adjusted to -2.5% for acquisitions of MSEK 407.1 and currency effects of MSEK 172.2

OPERATING PROFIT, MSEK

706

Operating profit was MSEK 705.8 (677.8) representing a 4.1% increase with an operating margin of 12.6 (13.1)%

EARNINGS AFTER TAX, MSEK

503

Earnings after tax were 503.1 (494.4), an increase of 1.8%

EARNINGS PER SHARE, SEK

4.39

Earnings per share were SEK 4.39 (4.32).

CASH FLOW FROM OPERATING ACTIVITIES, MSEK

378

Cash flow from operating activities was MSEK 378.1 (681.1)

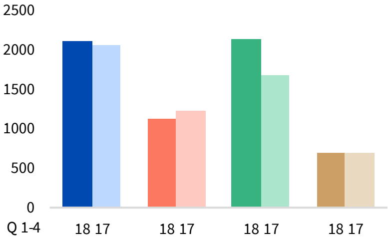
"As we close a successful 2018, we look forward to 2019 with positive energy"

Business areas

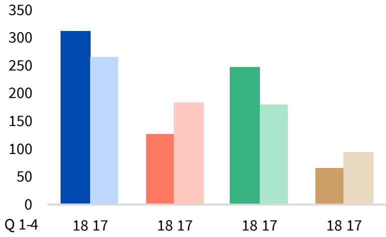
NET SALES AND OPERATING PROFIT BY BUSINESS AREA, Q4 & Q1-4

	Net sales				Operating profit				Operating margin %			
	Q4		Q1-4		Q4		Q1-4		Q4		Q1-4	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Northern Europe	570.9	529.9	2,113.0	2,048.0	104.7	71.4	312.5	266.2	18.3	13.5	14.8	13.0
UK and Ireland	268.8	285.4	1,130.6	1,211.1	26.4	41.9	125.0	184.9	9.8	14.7	11.1	15.3
Western and Southern Europe	584.0	429.6	2,123.4	1,670.7	67.0	28.4	246.9	181.0	11.5	6.6	11.6	10.8
Africa, Asia and the Pacific	180.1	186.4	703.9	692.5	17.2	50.3	65.0	92.7	9.6	27.0	9.2	13.4
Other	-	-	-	-	-9.7	-19.6	-43.6	-46.9	-	-	-	-
Eliminations	-115.7	-111.4	-449.9	-452.0	-	-	-	-	-	-	-	-
Total	**1,488.1**	**1,319.9**	**5,621.0**	**5,170.3**	**205.6**	**172.4**	**705.8**	**677.9**	**13.8**	**13.1**	**12.6**	**13.1**
Financial, unallocated items	-	-	-	-	-10.4	3.4	-39.1	-25.4	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**195.2**	**175.8**	**666.7**	**652.5**	**-**	**-**	**-**	**-**

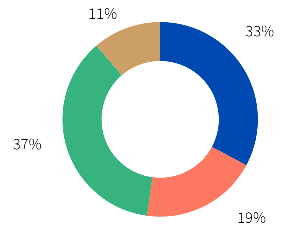
NET SALES PER BUSINESS AREA, MSEK



OPERATING PROFIT PER BUSINESS AREA, MSEK



SALES SHARE PER BUSINESS AREA, %



GEOGRAPHICAL BUSINESS AREAS: Northern Europe, UK and Ireland, Western and Southern Europe, Africa, Asia and the Pacific

Northern Europe

The business area comprises the Group's operating units and companies in the Nordics, the Baltics and Russia. The factory in China, which engages in manufacturing and purchasing, is also included.

Development, manufacturing and sales are conducted in Sweden, Finland and China, while operations in other markets engage only in sales. Poland has been included in the business area with effect from the start of the year and prior year numbers have been adjusted.

Net sales for the full year were 2,113.0 (2,048.0) MSEK showing a growth of 3.2%, adjusted for currency effects net sales grew 1.6%. Sales increased in Sweden and Finland. The difficult trading conditions in Russia continue, now with a lower cost base. Besides the strong base in Sweden, we are optimistic to the start of 2019 in Norway and Denmark where the operating units start with good order book positions.

The operating profit for the year was 312.5 (266.2) MSEK, an increase of 17.4% with an operating margin of 14.8 (13.0)%. The operating profit growth Q4 2018 grew 46.6% over that in Q4 2017, a very strong final quarter.

Q4
NET SALES, MSEK
570.9

OPERATING PROFIT, MSEK
104.7

OPERATING MARGIN, %
18.3

Nothern Europe	Q4, 2018	Q4, 2017	Q1-4, 2018	Q1-4, 2017
Net sales	570.9	529.9	2,113.0	2,048.0
(of which, intercompany sales)	*(70.6)*	*(73.1)*	*(269.0)*	*(289.5)*
Operating profit	104.7	71.4	312.5	266.2
Operating margin, %	18.3	13.5	14.8	13.0
Sales growth, %	7.7	-3.3	3.2	0.9
Sales growth, adjusted for exchange rate differences , %	6.2	-2.5	1.6	0.2
Growth in operating profit, %	46.6	4.7	17.4	21.0

UK and Ireland

Q4
NET SALES, MSEK
268.8
OPERATING PROFIT, MSEK
26.4
OPERATING MARGIN, %
9.8

This business area comprises Group companies in the United Kingdom and Ireland. The most significant unit is Whitecroft Lighting and both Whitecroft and Designplan engage in the development, manufacture and sale of lighting systems, while the Fagerhult branded businesses in the UK and Ireland engage in sales.

Net sales in the full year were 1,130.6 (1,211.1) MSEK. The shortfall of 81 MSEK is mainly due to the large projects for Crossrail and a large retailer in Q1 2017 which totalled 93 MSEK that did not repeat in 2018. Net sales adjusted for currency effects declined 11.4% in the year which is in line with Q2-Q4 levels of activity, the currency impact is 4.8%.

As reported earlier in this report, the business area is now challenged by the effects of Brexit resulting in a slowing market. Detailed Brexit planning is taking place in all operating units supplying to or sourcing from the UK and the Group is competitively well positioned with the large majority of net sales being produced in Britain.

The order backlog position in the business area remains at a good level with many large healthcare projects secured for 2019.

The operating profit for the year was 125.0 (184.9) MSEK and the operating margin was 11.1 (15.3)%. The business area enters 2019 with a lower cost base.

UK and Ireland	Q4, 2018	Q4, 2017	Q1-4, 2018	Q1-4, 2017
Net sales	268.8	285.4	1,130.6	1,211.1
(of which, intercompany sales)	*(11.9)*	*(15.3)*	*(43.7)*	*(54.9)*
Operating profit	26.4	41.9	125.0	184.9
Operating margin, %	9.8	14.7	11.1	15.3
Sales growth, %	-5.8	2.0	-6.6	1.3
Sales growth, adjusted for exchange rate differences , %	-10.6	3.4	-11.4	6.5
Growth in operating profit, %	-37.0	17.4	-32.4	2.2

Western and Southern Europe

Q4
NET SALES, MSEK
584.0
OPERATING PROFIT, MSEK
67.0
OPERATING MARGIN, %
11.5

This business area comprises our operations in Germany, the Netherlands, France, Belgium and Spain. The larger operations; WE-EF, LTS Licht & Leuchten and LED Linear are based in Germany with Veko Lightsystems being based in the Netherlands and all engage in the development, manufacture and sale of lighting systems.

The businesses of LED Linear and WE-EF have operations across the globe but for governance reasons are reported within this business area. The Fagerhult branded business in the Netherlands, France, Spain and Belgium engage in sales.

The results of the Q1 2017 acquired WE-EF group based in Bispingen, Germany have been included in the business area from March 2017 and the results of the 20th April 2018 acquired Veko Lightsystems International B.V. based in Schagen, the Netherlands, are consolidated in the business area from May 2018.

Both the 148.5 MSEK one off M&A related transaction credit and the 138.9 MSEK impairment of goodwill charge have been included in this business area in the quarter.

Net sales for the year were 2,123.4 (1,670.7) MSEK. This is an overall growth of 27.1%, reducing to 20.4% adjusting for currency effects and -4.0% after adjusting for both currency and acquisition effects.

The operating profit for the year was 246,9 (181.0) MSEK and the operating margin increased to 11.6 (10.8)%.

Western and Southern Europe	**Q4, 2018**	**Q4, 2017**	**Q1-4, 2018**	**Q1-4, 2017**
Net sales	584.0	429.6	2,123.4	1,670.7
(of which, intercompany sales)	*(18.3)*	*(9.4)*	*(70.7)*	*(40.6)*
Operating profit	67.0	28.4	246.9	181.0
Operating margin, %	11.5	6.6	11.6	10.8
Sales growth, %	35.9	48.3	27.1	60.0
Sales growth, adjusted for exchange rate differences , %	28.7	48.9	20.4	57.3
Growth in operating profit, %	135.9	264.1	36.4	82.6

Africa, Asia and the Pacific

The business area comprises our operations in South Africa, Turkey, the United Arab Emirates, Australia and New Zealand. Development, manufacture and sale of lighting systems and controls are conducted in South Africa, Australia and Turkey, while the operations in the United Arab Emirates and New Zealand engage in sales.

The OR Technologies Pty Ltd business, based in Melbourne Australia, the new company set up to develop and market the OR technology has been consolidated in this business area from May 2017.

Market activity in Australia and New Zealand has been healthy during the year and our business in South Africa has delivered an improved result for net sales and operating profit. Activity level in the Arabian Gulf is at a low level and this coinciding with a liquidity challenge has made 2018 a difficult year for the business and despite the much publicised difficulties in Turkey our business located in Ankara continues to deliver steady and improving results in local currency.

Net sales for the year were 703.9 (692.5) MSEK, a growth of 1.6% overall, increasing to 7.1% after adjusting for currency effects. The operating profit was 65.0 (92.7) MSEK and the operating margin was 9.2 (13.4)%. In Q4 2017 there was a one off M&A income adjustment of 23.9 MSEK included in the region. The effect of this at Group level was offset by other provisions in other business areas.

Q4
NET SALES, MSEK
180.1

OPERATING PROFIT, MSEK
17.2

OPERATING MARGIN, %
9.6

Africa, Asia and the Pacific	**Q4, 2018**	**Q4, 2017**	**Q1-4, 2018**	**Q1-4, 2017**
Net sales	180.1	186.4	703.9	692.5
(of which, intercompany sales)	*(14.9)*	*(13.6)*	*(66.5)*	*(67.1)*
Operating profit	17.2	50.3	65.0	92.7
Operating margin, %	9.6	27.0	9.2	13.4
Sales growth, %	-3.4	7.7	1.6	6.1
Sales growth, adjusted for exchange rate differences , %	-0.1	19.4	7.1	8.8
Growth in operating profit, %	-65.8	102.0	-29.9	6.8

Other

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

Business per product area

For Indoor Lighting, the net sales at 3,344.1 (2,975.2) MSEK shows an overall growth of 12.4% reducing to 1.7% following adjustment for acquisitions and to -1.1% after further adjusting for currency.

For Retail Lighting, the net sales at 1,081.6 (1,139.6) MSEK shows an overall growth of -5.1% reducing to -9.4% after adjusting for currency. There were no acquisition effects in Retail Lighting.

For Outdoor Lighting, the net sales at 1,195.3 (1,055.5) MSEK shows an overall growth of 13.2% reducing to 4.7% following adjustment for acquisitions and to 0.9% after further adjusting for currency. Outdoor Lighting is now the Group's second largest application area delivering 1% organic growth for 2018.

As can be seen from the charts to the right, the Group's net sales in Indoor is well balanced across the business areas, whereas Germany and Spain account for a more significant share of Retail net sales in Western & Southern Europe. In Outdoor Lighting, Germany accounts for two-thirds of the net sales of the Group delivering the 67% share in Western & Southern Europe.

Good growth was seen in Indoor Lighting in Northern Europe, mainly in Sweden.

The dominant factor in Retail Lighting in the year-on-year comparison remains the large project in Q1 2017 of 70 MSEK in the UK and in Outdoor Lighting, the growth has come from Northern Europe combined with the acquisition in Germany from 2017. To address the competitive retail segment, during the year we have relocated our retail operations into the factory in Habo, providing an increased customer service offering with a lower cost base.

NET SALES PER PRODUCT AREA

	Q4, 2018			Q4, 2017		
	Indoor	Retail	Outdoor	Indoor	Retail	Outdoor
Northern Europe	353.4	42.1	104.8	317.9	49.4	89.5
UK and Ireland	226.3	22.8	7.8	236.4	20.3	13.4
Western and Southern Europe	185.2	163.3	217.2	82.0	153.3	184.9
Africa, Asia and the Pacific	159.0	6.5	-0.3	158.5	6.3	8.0
Total	**923.9**	**234.7**	**329.5**	**794.8**	**229.3**	**295.8**

	Q1-4, 2018			Q1-4, 2017		
	Indoor	Retail	Outdoor	Indoor	Retail	Outdoor
Northern Europe	1,308.8	216.7	318.5	1,216.7	238.5	303.4
UK and Ireland	902.7	142.9	41.3	919.0	189.1	48.1
Western and Southern Europe	554.2	695.0	803.5	275.5	684.1	670.5
Africa, Asia and the Pacific	578.4	27.0	32.0	564.0	27.9	33.5
Total	**3,344.1**	**1,081.6**	**1,195.3**	**2,975.2**	**1,139.6**	**1,055.5**

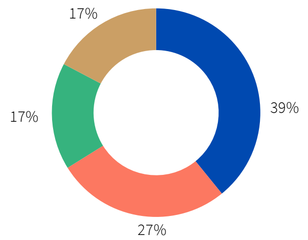
Financial position

The Group's equity/assets ratio at the end of the reporting period was 32.2 (31.0)%. Cash and bank balances at the end of the period were 808 (950) MSEK and consolidated equity was 2,129 (1,891) MSEK.

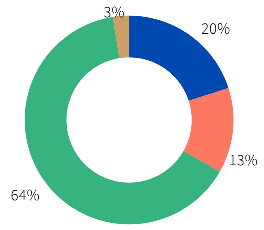
The cash flow for the year, which includes the acquisition of Veko 307 MSEK and payment of the dividend 229 MSEK, resulted in an increase in net debt to 2,073 (1,830) MSEK. Cash flow from operating activities was 378 (681) MSEK with the 303 MSEK negative movement due to a 159 MSEK increase (86 MSEK decrease) in working capital plus 47 MSEK increase in tax paid. When the effects of acquisitions are eliminated, the increase in working capital relates to inventory and accounts payable as accounts receivable are in line with the prior year.

Pledged assets and contingent liabilities amounted to SEK 46.4 million (47.2) and SEK 1.4 million (1.5) respectively .

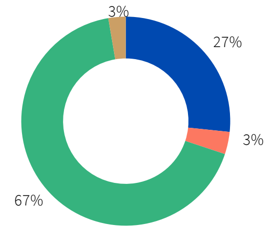
NET SALES INDOOR, Q1-4 2018



NET SALES RETAIL, Q1-4 2018



NET SALES OUTDOOR, Q1-4 2018



- Northern Europe
- UK and Ireland
- Western and Southern Europe
- Africa, Asia and the Pacific

Investments

The Group's net investments in non-current assets was 123 (177) MSEK. The figure does not include investments in subsidiaries, which were 307 (829) MSEK.

Acquisition of iGuzzini

On 15th October 2018, Fagerhult signed a Letter of Intent (LOI) with the shareholders of iGuzzini illuminazione S.p.A ("iGuzzini") to acquire 100% of the shares of iGuzzini.

On 21st December 2018 Fagerhult signed a Share Purchase Agreement ("SPA") with the shareholders of iGuzzini to acquire 100% of the shares of iGuzzini. The transaction is subject to anti-competition approval in Germany (received in Q1) and Russia (received in Q1) and the necessary resolutions relating to the Issue in Kind, see later.

On 7th January 2019, the board of Fagerhult called for an Extraordinary Meeting of Shareholders to be held on 7th February 2019 in order for the board to obtain the necessary authorisation to pass resolutions on the Issue in Kind and the Rights Issue.

The transaction is expected to close in the first quarter of 2019. The Rights Issue is expected to be initiated shortly after closing of the transaction.

With iGuzzini joining the Fagerhult Group, one of Europe's largest and leading professional lighting groups will be created and the combined companies will have a stronger position in Europe and a strong platform from which to grow sales globally.

iGuzzini is leading lighting company with a strong brand and have created a successful international business with a global customer base. iGuzzini is also very complementary to the Fagerhult Group both in terms of geography and product portfolio. Based in Recanati, Italy, iGuzzini is a respected lighting company with high brand awareness particularly amongst specifiers and lighting designers. Founded in 1959, the company designs, manufactures and markets professional lighting solutions for indoor and outdoor lighting areas. Approximately 80% of iGuzzini's net sales are outside Italy with strong sales in the larger European markets as well as a growing presence in North America.

With iGuzzini joining Fagerhult, the combined position in the high-end specification market will strengthen and the combined product offering in key areas such as outdoor, hospitality and retail will broaden significantly. Also, the Group's exposure to geographical markets such as Italy, Switzerland, Spain and North America will increase and we see good two way sales synergies in each company's strong respective markets.

For the financial year ending 31st December 2018, iGuzzini had net sales of approximately MEUR 240, an EBITDA margin of circa 14-15% and employed 1,470 employees.

Fagerhult estimates significant procurement synergies as well as medium-to-longer term sales synergies and targets MEUR 8 annual EBITDA synergies by 2022.

The details of the transaction are as follows;

1. Fagerhult is to acquire iGuzzini for MEUR 385 on a cash and debt free basis.
2. 26% will be paid in new Fagerhult shares, issued through an issue in kind to the current shareholders of iGuzzini (the "Issue in Kind"), who will be subject to customary lock-up undertakings.
3. 74% will be paid in cash, financed through new and existing credit facilities and a bridge loan facility.
4. The bridge loan, post-closing of the transaction, is intended to be repaid with proceeds from a new share issue with pre-emptive rights for Fagerhult's shareholders of approximately MEUR 220 (the "Rights Issue").

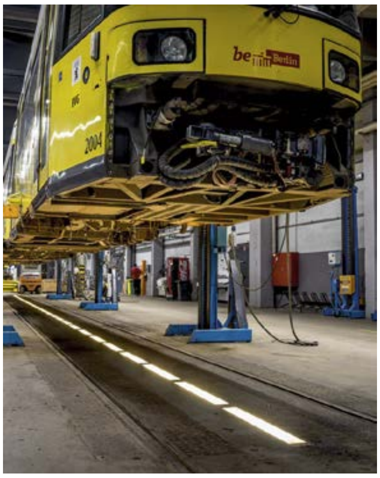
For more information refer to the press releases on 15th October 2018, 21st December 2018 and 7th January 2019.

Extraordinary General Meeting

As a result of the signing of the SPA to acquire 100% of the shares of iGuzzini the shareholders of AB Fagerhult held an Extraordinary General Meeting (EGM) of shareholders on the 7th February 2019 in the company's offices in Habo, Sweden. The EGM resolved to;

"Making the world a little more beautiful with light"

1. Amend the Articles of Association of AB Fagerhult regarding the company's share capital and the number of shares outstanding in the company, and
2. Authorise the board to decide on a new issue of shares in AB Fagerhult to be issued as part of the purchase price for the acquisition of iGuzzini illuminazione S.p.A., (the Issue in Kind), and
3. Authorise the board to decide on a new issue of shares for cash payment with preferential rights for the shareholders with the aim of raising approximately 2.2 BSEK to replace credit facilities taken by AB Fagerhult for the acquisition of iGuzzini illuminazione S.p.A.



Acquisition of Veko

On 15th March 2018, Fagerhult signed an agreement to acquire 100% of the shares of Veko Lightsystems International B.V., a company based in Schagen, the Netherlands. Fagerhult paid MEUR 31.5 on a cash and debt free basis as an initial payment for 100% of the shares of Veko Lightsystems International B.V.

An additional earnout amount of MEUR 9.5 can be paid each year for 3 years from 2018 to 2020 tied to the company performance. Further, an additional MEUR 5.0 earnout can also be paid based on the cumulative performance from 2018-2020. The transaction is financed with existing cash and new credit facilities.

For more information refer to the press releases on 15th March 2018 and 20th April 2018 and the Q1, Q2 and Q3 interim reports.

The acquisition was completed on the 20th April 2018 and Veko has been consolidated in the Western and Southern Europe business area from the 1st May 2018.

The purchase price allocation has now been fully completed and is considered closed.

THE CONSIDERATION CONSISTS OF THE FOLLOWING COMPONENTS

Cash Paid	327.8
Contigent consideration	347.9
Net assets acquired	277.2
Goodwill	**398.5**

Employees

The average number of employees during the period was 3,384 (3,241).

Parent company

AB Fagerhult's operations comprise Group Management, financing and business development activities. The profit after financial items was -3.8 (106.5) MSEK.

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

Dividend

The Board intends to propose that the Annual General Meeting approve a dividend of SEK 2.00 (2.00) per share.

Accounting principles

This interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting, and the Swedish Annual Accounts Act. The information for the interim period on pages 1-17 is an integral part of this financial report.

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR.

Applied accounting principles are unchanged in comparison with the previous year, except that AB Fagerhult from the beginning of January 1st 2018 applies IFRS 15

Revenue From Agreements With Customers and IFRS 9 Financial Instruments. The implementation of these standards has not had any impact on the financial statements, except for additional information regarding revenue per product area presented by business area. For further information on IFRS 15 and IFRS 9 and other accounting policies, please refer to the accounting principles section of Fagerhult's annual report for the financial year 2017.

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and shall be applied in annual reporting periods commencing 1st January 2019 or thereafter. It will result in almost all leases being recognised on the balance sheet by the lessees as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

All leasing arrangements within the group has been reviewed over the last year in light of the new lease accounting rules. The standard will affect primarily the accounting for the Group's operating leases.

In accordance with IFRS 16 the group expects recognize right-of-use assets of approximately 797 MSEK on 1st January 2019, after adjustments for prepayments recognised as at 31st December 2018, lease liabilities of 784 MSEK. Net current assets will be 119 MSEK lower due to the presentation of a portion of the liability as a current liability.

The initial estimate is that IFRS 16 will have a minimal impact on the operating profit and a minimal impact on profit after financial items.

Some additional disclosures will be required from next year in the annual report for 2019.

The Group will apply IFRS 16 from its mandatory adoption date of 1st January 2019, intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption, adjusted for any prepaid lease expenses as at 31st December 2018. During the transition following practical expedients has been applied: Portfolios of leases has been indentifed and discount rates by country and class has been applied. Initial direct costs from the measurement of the right-of-use has been excluded from the initial recognition. Hindsight has been used to determine the lease terms when an option to terminate or extend has been available.

Impairment of goodwill

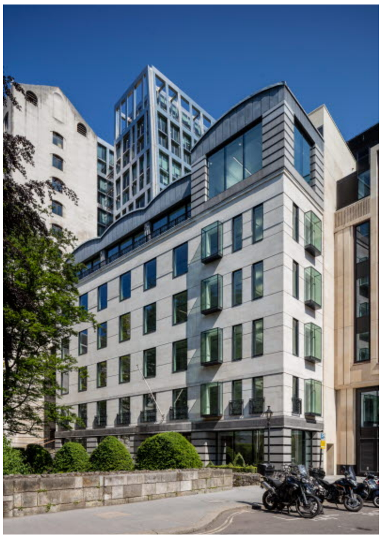
The annual impairment testing of goodwill and brands with indefinite useful lives was performed during the fourth quarter 2018, the timing is consistent with the testing done in each of the last three financial years.

Indications of an impairment were considered to exist in the Western and Southern Europe CGU, where the 2017 year end recoverable amount exceeded the carrying amount of goodwill by an insignificant margin compared to the other CGUs (Northern Europe, UK & Ireland and Africa, Asia & the Pacific) where the margins were significant.

Management has recalculated the recoverable amount in each of the Group's CGUs and only in the CGU of Western and Southern Europe, an impairment loss of 138.9 MSEK was recognised, reducing the carrying amount for this CGU to 2,251 MSEK. The impairment loss has been recognised in the line item Other operating expenses with 138.9 MSEK in the Group's income statement.

The recoverable amount of the Western and Southern Europe CGU as at 31st December 2018 was 1,448.5 MSEK which was determined based on value-in-use calculations, consistent with the methods used as at 31st December 2017. For further details of impairment testing and significant assumptions used, see note 10 Intangible assets, pages 79-80 in the Annual report for 2017.

As stated above there has not been any indications of impairment in any of the other



CGU's and the impairment calculations of these CGU's as at 31st December 2018 have not resulted in any impairment. For these CGU's the recoverable amounts exceeds the carrying amounts of goodwill by a significant margin.

Management has considered and assessed reasonable possible changes in key assumptions for these CGU's and have not identified any instances that would cause the carrying amount of these CGU's to exceed its carrying amounts.

The below key assumptions were used in the impairment test of the Western and Southern Europe CGU as at 31st December 2018, compared with the key assumptions used in the calculation as at 31st December 2017.

	December 2018	December 2018	December 2017	December 2017
	2019-2023	*2024+*	*2018-2022*	*2023+*
EBITDA margin	14.3%	13.0%	14.0%	13.0%
Sales growth	2.5%	2.0%	3.0%	2.5%
WACC (pre-tax)	10.0%	10.0%	10.0%	10.0%
SEK/EUR FX rate	10.25	10.25	9.55	9.55

Risks and uncertainties

The Group's significant risks and uncertainties consist primarily of business risks, and financial risks associated with currencies and interest rates. Through the company's international operations, the Fagerhult Group is subject to financial exposure arising from currency fluctuations as well as the regionalised uncertainty of political situations.

The most prominent risks, however, are currency risks arising from export sales and imports of raw materials and components. This exposure is reduced by hedging the flow of sensitive currencies, based on individual assessment. Currency risk also arises in the translation of foreign net assets and earnings. For more information about the company's risks, refer to the 2017 Annual Report. In addition to the risks described in the company's Annual Report, no other significant risks are considered to have arisen.

Nomination committee

The Nomination Committee consists of the following individuals together with the names of the shareholders that they represent; Jan Svensson as Chairman of the Board of AB Fagerhult (not entitled to vote), Eric Douglas representing Investment AB Latour, Johan Ståhl representing Lannebo Funds, Evert Carlsson representing Swedbank Robur Small Business Funds and Jan Särlvik representing Nordea Investment Funds.

Questions regarding the nomination committee shall be addressed to the Group's CFO Michael Wood, michael.wood@fagerhult.se

Repurchase of shares

The Annual General Meeting, held on 23rd April 2018, authorised the Board to decide to acquire the company's own shares. No acquisitions of the company's own shares have been made. The company's holding of treasury shares totals 1,149,708.

Outlook for 2019

During the last three years, organic and acquisitive growth has led to a strong positive sales and earnings trend for the Group in all business and product areas and for the majority of this time many of the Group's main markets have displayed steady growth.

The Group has taken advantage of these positive trends and used the good momentum to continue to invest in its master brand strategy, product design and development of luminaires and lighting controls and exploited the synergies from acquisitions. Expansion of operational capability in machining and electronics has also played a key role.

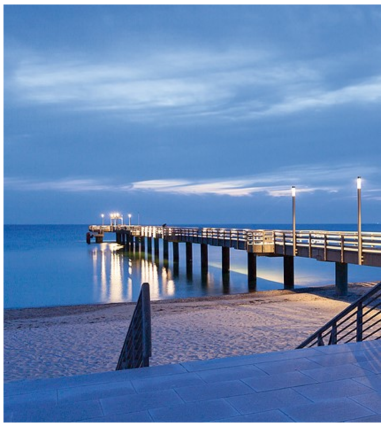
"In 2019 we will work on the next phase of strategic alignment and further engage in a coordinated way with connectivity"

The Group's medium-to-long term strategy continues to include further acquisitions, both geographically and technology led acquisitions.

The Group has established and remains in a strong position in all of its main markets and product areas and as a result has increased its market share during this period.

The organic growth that we have seen in some of the Group's main markets has been flat in the most recent quarters and so there will be an increased focus on organic growth which will be driven by the investments in growth activities initiated from mid-2016 as well as increased collaboration and a refocusing in one or two segments.

Management believes that with the operational footprint of the Group, the strong position in many markets, the level of recent and current growth investments and the differentiated business model the Group is in a good position to execute this focus on increasing market shares throughout 2019.



Habo, 26th February 2019
AB Fagerhult (publ.)

Bodil Sonesson
President and CEO

In 2019, interim reports will be submitted on 13th May, 22nd August and 25th October. The Annual General Meeting will be held on 13th May 2019.

Information can be obtained from;

Bodil Sonesson, CEO, +46 72223 7602

Michael Wood, CFO, +46 73087 4647

AB Fagerhult (publ.)
Corporate ID no. 556110-6203
SE-566 80 Habo
Tel +46 (0)36-10 85 00
headoffice@fagerhult.se

www.fagerhultgroup.com

Group

INCOME STATEMENT

	2018 Q4 3 months	2017 Q4 3 months	2018 Q1-4 12 months	2017 Q1-4 12 months
Net sales	1,488.1	1,319.9	5,621.0	5,170.3
Cost of goods sold	-914.8	-841.2	-3,474.2	-3,245.7
Gross profit	**573.3**	**478.7**	**2,146.8**	**1,924.6**
Selling expenses	-281.0	-236.8	-1,035.9	-919.4
Administrative expenses	-122.8	-106.8	-467.0	-384.9
Other operating income	175.0	37.3	200.8	57.6
Other operating expenses	-138.9	-	-138.9	-
Operating profit	**205.6**	**172.4**	**705.8**	**677.9**
Financial items	-10.4	3.4	-39.1	-25.4
Profit after financial items	**195.2**	**175.8**	**666.7**	**652.5**
Tax	-41.0	-34.2	-163.6	-158.1
Net profit for the period	**154.2**	**141.6**	**503.1**	**494.4**
Net profit for the period attributable to shareholders of the Parent Company	154.2	141.6	503.1	494.4
Earnings per share, based on earnings attributable to shareholders of the parent during the year:				
Earnings per share before dilution, SEK	1.35	1.24	4.39	4.32
Earnings per share after dilution, SEK	1.35	1.24	4.39	4.32
Average number of outstanding shares before dilution	114,500	114,492	114,497	114,318
Average number of outstanding shares after dilution	114,500	114,492	114,497	114,318
Number of outstanding shares, thousands	114,500	114,492	114,500	114,492
Statement of comprehensive income				
Net profit for the period	**154.2**	**141.6**	**503.1**	**494.4**
Other comprehensive income				
Items which may not be reversed in the income statement:				
Revaluation of pension plans	-0.7	-2.2	-0.7	-2.2
Items which may be reversed in the income statement:				
Translation differences	14.1	-18.5	-39.5	-105.7
Other comprehensive income for the period, net after tax	**13.4**	**-20.7**	**-40.2**	**-107.9**
Total comprehensive income for the period	**167.6**	**120.9**	**462.9**	**386.5**
Comprehensive income attributable to shareholders of the Parent Company	167.6	120.9	462.9	386.5

BALANCE SHEET

	31 Dec 2018	31 Dec 2017
Intangible assets	3,159.9	2,709.5
Tangible fixed assets	703.1	685.6
Financial assets	52.1	54.1
Inventories	857.4	761.5
Accounts receivable - trade	925.0	837.7
Other non-interest-bearing current assets	115.3	98.6
Cash and cash equivalents	808.4	949.9
Total assets	**6,621.2**	**6,096.9**
Equity	2,129.2	1,890.5
Long-term interest-bearing liabilities	2,465.1	2,774.8
Long-term non-interest-bearing liabilities	584.0	444.9
Short-term interest-bearing liabilities	416.1	4.8
Short-term non-interest-bearing liabilities	1,026.8	981.9
Total equity and liabilities	**6,621.2**	**6,096.9**

CASH FLOW STATEMENT

	2018 Q4 3 months	2017 Q4 3 months	2018 Q1-4 12 months	2017 Q1-4 12 months
Operating profit	**205.6**	**172.4**	**705.8**	**677.9**
Adjustments for non-cash items	6.6	7.5	65.6	102.5
Financial items	-10.5	-12.9	-39.1	-37.7
Tax paid	-47.1	-23.6	-194.9	-147.9
Funds contributed from operating activities	**154.6**	**143.4**	**537.4**	**594.8**
Change in working capital	132.8	132.6	-159.3	86.3
Cash flow from operating activities	**287.4**	**276.0**	**378.1**	**681.1**
Cash flow from investing activities	-7.0	-121.7	-414.6	-1,039.9
Cash flow from financing activities	5.8	20.6	-124.1	583.0
Cash flow for the period	**286.2**	**174.9**	**-160.6**	**224.2**
Cash and cash equivalents at beginning of period	526.6	758.7	949.9	731.6
Translation differences in cash and cash equivalents	-4.4	16.3	19.1	-5.9
Cash and cash equivalents at end of period	**808.4**	**949.9**	**808.4**	**949.9**

KEY RATIOS AND DATA PER SHARE

	2018 Q4 3 Months	2017 Q4 3 Months	2018 Q1-4 12 months	2017 Q1-4 12 months
Sales growth, %	12.7	12.5	8.7	15.1
Growth in operating profit, %	19.3	43.8	4.1	29.3
Growth in profit after financial items, %	11.0	48.6	2.2	26.8
Operating margin, %	13.8	13.1	12.6	13.1
Profit margin, %	13.1	13.3	11.9	12.6
Cash liquidity, %	56.0	96.3	56.0	96.3
Net debt/EBITDA ratio	1.3	2.2	2.0	2.2
Equity/assets ratio, %	32.2	31.0	32.2	31.0
Capital employed, MSEK	5,010.4	4,670.1	5,010.4	4,670.1
Return on capital employed, %	16.5	15.7	14.8	16.8
Return on equity, %	29.0	30.0	25.0	28.1
Net debt, MSEK	2,072.8	1,829.7	2,072.8	1,829.7
Gross investment in non-current assets, MSEK	30.3	54.7	159.0	177.1
Net investment in non-current assets, MSEK	-5.4	54.7	123.3	177.1
Depreciation/amortisation/impairment of non-current assets, MSEK	183.0	39.9	320.3	158.2
Number of employees	3,376	3,229	3,384	3,241
Equity per share, SEK	18.60	16.51	18.60	16.51
Number of outstanding shares, thousands	114,500	114,492	114,500	114,492

For more information about the Key ratios and the definitions applied, please refer to AB Fagerhult's website under "Investor relations / Financial definitions." The website also includes the definition of any Alternative Performance Measures used whereas this report details the financial aspect to these.

CHANGES IN EQUITY

	Attributable to shareholders of the Parent Company				
	Share capital	Other contributed capital	Reserves	Retined earnings	Total equity
Equity at 1 January 2017	**65.5**	**159.4**	**-93.0**	**1,495.2**	**1,627.1**
Net profit for the period				494.4	494.4
Other comprehensive income			-105.7	-2.2	-107.9
Total comprehensive income for the period			-105.7	492.2	386.5
Disposal of own shares		45.6			45.6
Performance share plan				2.7	2.7
Dividend paid, SEK 1.50 per share				-171.4	-171.4
Equity at 31 December 2017	**65.5**	**205.0**	**-198.7**	**1,818.7**	**1,890.5**
Equity at 1 January 2018	**65.5**	**205.0**	**-198.7**	**1,818.7**	**1,890.5**
Net profit for the period				503.1	503.1
Other comprehensive income			-39.5	-0.7	-40.2
Total comprehensive income for the period			-39.5	502.4	462.9
Performance share plan				4.8	4.8
Dividend paid, SEK 2.00 per share				-229.0	-229.0
Equity at 31 December 2018	**65.5**	**205.0**	**-238.2**	**2,096.9**	**2,129.2**

Parent company

INCOME STATEMENT

	2018 Q4 3 Months	2017 Q4 3 Months	2018 Q1-4 12 months	2017 Q1-4 12 months
Net sales	4.3	3.4	15.1	14.2
Selling expenses	-	-0.4	-	-0.4
Administrative expenses	-9.7	-12.0	-50.5	-47.2
Operating profit	**-5.4**	**-9.0**	**-35.4**	**-33.4**
Income from shares in subsidiaries	-	-	58.8	143.3
Financial items	-0.2	0.5	-27.2	-3.4
Profit after financial items	**-5.6**	**-8.5**	**-3.8**	**106.5**
Group contributions received	260.0	237.0	260.0	237.0
Changes in tax allocation reserve	8.6	-	8.6	-
Tax	-45.8	-42.6	-45.8	-42.6
Net profit	**217.2**	**185.9**	**219.0**	**300.9**

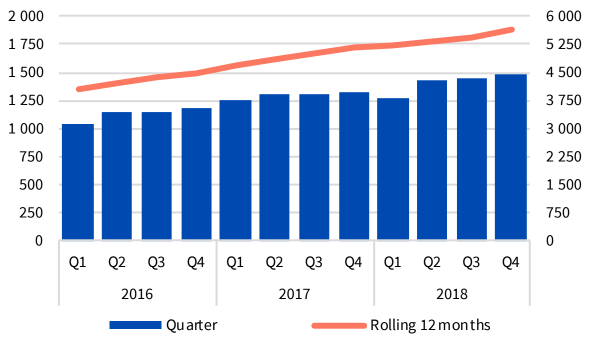
BALANCE SHEET

	31 Dec 2018	31 Dec 2017
Financial assets	3,796.4	3,455.4
Other receivables	46.9	44.9
Cash & Bank	328.7	547.9
Total assets	**4,172.0**	**4,048.2**
Equity	694.0	700.3
Untaxed reserves	-	8.6
Long-term interest bearing liabilities	2,706.8	2,660.2
Long-term non interest bearing liabilities	1.7	1.7
Short-term interest bearing liabilities	740.6	636.4
Short-term non interest bearing liabilities	28.9	41.0
Total Equity and Liabilities	**4,172.0**	**4,048.2**

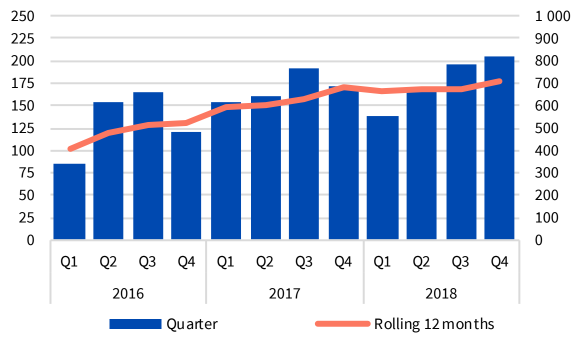
CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2017	**65.5**	**159.4**	**344.3**	**569.2**
Performance share program			1.6	1.6
Net profit for the period			300.9	300.9
Dividend paid, SEK 1.50 per share			-171.4	-171.4
Equity at 31 December 2017	**65.5**	**159.4**	**475.4**	**700.3**
Performance share plan			3.7	3.7
Net profit for the period			219.0	219.0
Dividend paid, SEK 2.00 per share			-229.0	-229.0
Equity at 31 December 2018	**65.5**	**159.4**	**469.1**	**694.0**

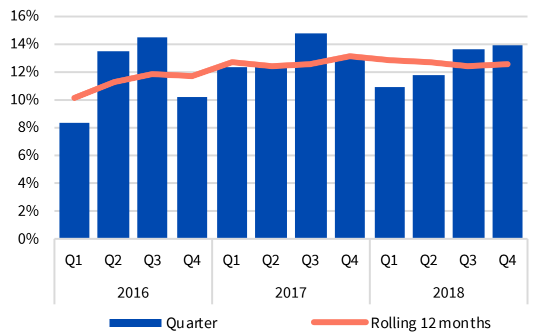
NET SALES, MSEK



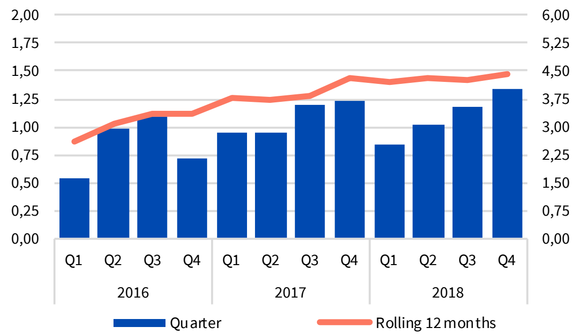
OPERATING PROFIT, MSEK



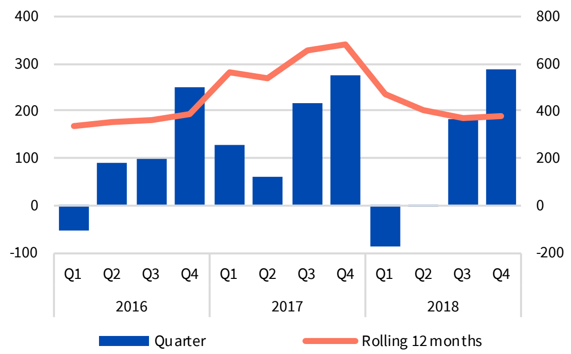
OPERATING MARGIN, %



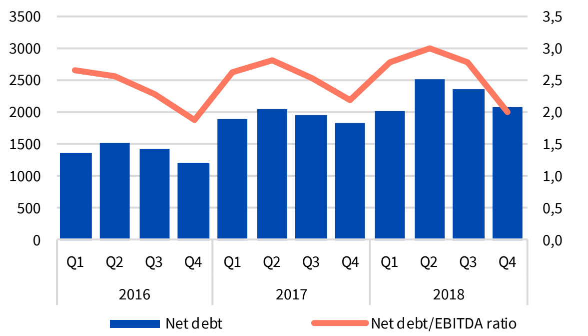
EARNINGS PER SHARE, SEK



OPERATING CASHFLOW



NET DEBT AND NET DEBT EBITDA RATIO



KEY RATIOS AND DATA PER SHARE

	2014	2015	2016	2017	2018
Net sales, MSEK	3,735.8	3,909.4	4,490.7	5,170.3	5,621.0
Operating profit, MSEK	378.7	396.0	524.2	677.9	705.8
Profit after financial items, MSEK	348.0	377.2	514.7	652.5	666.7
Earnings per share, SEK	2.30	2.54	3.35	4.32	4.39
Sales growth, %	20.7	4.6	14.9	15.1	8.7
Growth in operating profit, %	36.5	4.6	32.4	29.3	4.1
Growth in profit after financial items, %	40.9	8.4	36.5	26.8	2.2
Operating margin, %	10.1	10.1	11.7	13.1	12.6
Net debt/EBITDA ratio	2.2	1.9	1.9	2.2	2.0
Equity/assets ratio, %	37.6	38.4	33.8	31.0	32.2
Capital employed, MSEK	2,722.6	2,845.7	3,580.7	4,670.1	5,010.4
Return on capital employed, %	15.6	14.4	16.8	16.8	14.8
Return on equity, %	22.1	20.9	24.9	28.1	25.0
Net debt, MSEK	1,040.3	936.7	1,222.0	1,829.7	2,072.8
Net investment in non-current assets, MSEK	110.2	117.9	169.0	177.1	123.3
Depreciation/amortisation/impairment of non-current assets, MSEK	95.1	107.3	121.2	158.2	320.3
Number of employees	2,370	2,451	2,787	3,241	3,384

NET SALES AND OPERATING RESULT, MSEK