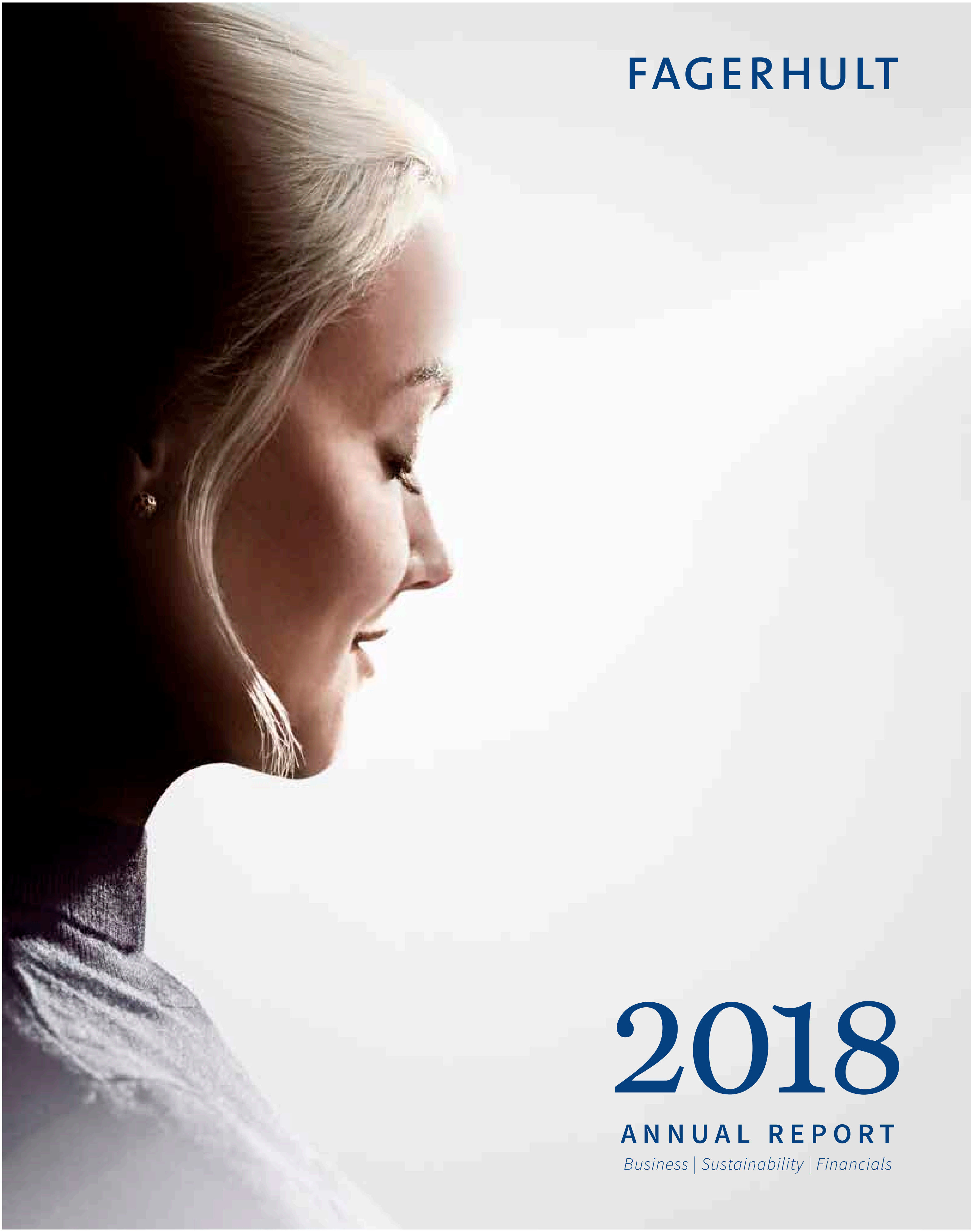

FAGERHULT
2018
ANNUAL REPORT
Business | Sustainability | Financials

CONTENTS

The official Annual Report which has been examined by the company’s auditors comprises pages 48–105.

Together, Fagerhult’s Annual Report and Sustainability Report should be viewed as the company’s summary for 2018. The Sustainability Report, pages 26–45, with the accompanying GRI appendix at www.fagerhultgroup.com, has been prepared in accordance with the GRI Standards; Core option and has been externally reviewed.

VISION

Fagerhult is to become a leading global lighting solutions provider.

MISSION

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

Fagerhult is one of Europe's leading lighting companies with a total of 3,384 employees in 25 countries.

Fagerhult develops, manufactures and markets innovative and energy-efficient lighting solutions for professional indoor and outdoor environments offering a wide range of products and solutions developed using expertise and insight into the positive impact of light on people in a variety of application areas.

Over the years, Fagerhult has added many strong brands through acquisitions. Fagerhult's share is listed on Nasdaq Stockholm.

THREE PRODUCT AREAS

INDOOR

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

Share of sales

60%

RETAIL

Lighting solutions for retail and hospitality concepts and commercial environments which strengthen and develop the brand whilst enhancing the lit space and it's merchandise.

Share of sales

19%

OUTDOOR

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

Share of sales

21%

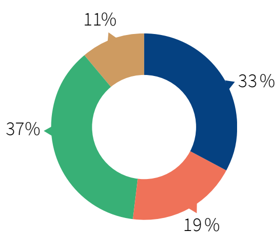
TWELVE STRONG BRANDS

INTERNATIONAL BUSINESS

Fagerhult is one of Europe's leading lighting companies. The Group's largest markets are Sweden, the UK, Germany, Australia and France. The Group also has strong positions in the Netherlands, Norway, Spain and Finland. The recent acquisitions of LED Linear (2016), WE-EF (2017) and Veko (2018) continue to expand and strengthen the international business with the Western & Southern Europe business area being the Group's largest reporting segment.

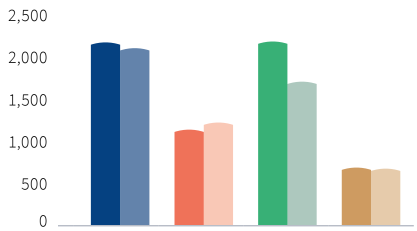
With subsidiaries in more than 25 countries, the international business is divided into four geographical business areas. Marketing and sales activities are primarily performed locally through subsidiaries and also via agents and distributors, thus giving Fagerhult access to more than 40 markets. Production and R&D units are located in Sweden, Finland, the UK, Germany, Australia, Turkey, South Africa, China, Thailand and the Netherlands.

SALES SHARE PER BUSINESS AREA, 2018



The strategy continues to deliver a more diversified and balanced geographical footprint.

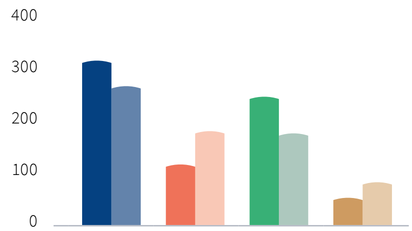
NET SALES PER BUSINESS AREA, MSEK



2018:	2,113	1,131	2,123	704
2017:	2,048	1,211	1,671	692

With the exception of the Brexit affected UK and Ireland business area steady improvement is delivered in all other areas with Western and Southern Europe growth coming largely from acquisitions.

OPERATING PROFIT PER BUSINESS AREA, MSEK



2018:	312	125	247	65
2017:	266	185	181	93

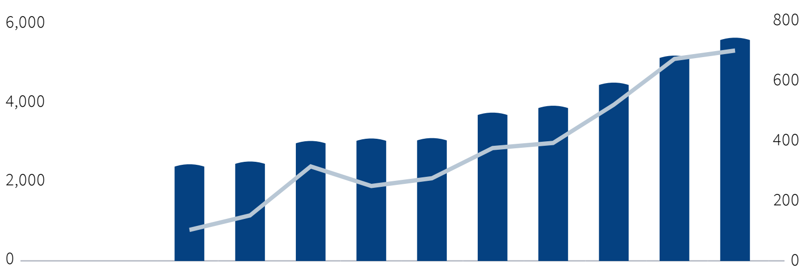
Services, products and solutions provided to a loyal customer base facilitate improved overall Group profitability. Specific business area challenges of course remain.

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

A HISTORY ROOTED IN VÄSTERGÖTLAND, SWEDEN

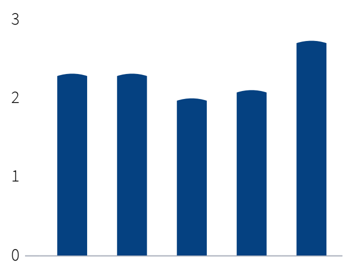
Fagerhult was founded in 1945 by Bertil Svensson and achieved sales of SEK 13,000 in its first year. A few years later, the first factory was built in Fagerhult, at that time with six employees and sales amounting to SEK 53,000. This factory, which has now been joined by the Group's other manufacturing units, currently has around 600 employees.

TRENDS FOR SALES AND OPERATING PROFIT, MSEK



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
■ Sales	2,436	2,506	3,023	3,085	3,095	3,736	3,909	4,491	5,170	5,621
Operating profit	104	153	317	251	277	379	396	524	678	706

DIVIDEND YIELD, %



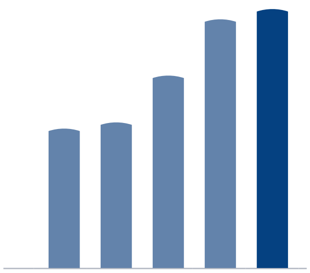
2014	2015	2016	2017	2018
2.2	2.2	1.9	2.0	2.6

2018

Highlights of the year

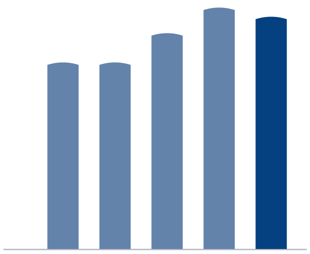
- **Order intake** amounted to **MSEK 5,692 (5,238)**, corresponding to an overall year-on-year growth of 8.7 per cent.
- **Net sales** amounted to **MSEK 5,621 (5,170)**, up 8.7 per cent.
- **Operating profit** at **MSEK 705.8 (677.8)** records an all-time high achievement with an operating margin of 12.6%
- Significant **Life Cycle Analysis** initiative launched for the three main product lines in the Fagerhult brand.
- The acquisition of **Veko** in the second quarter and the signing of the share purchase agreement to acquire **iGuzzini** late in the year clearly demonstrate the Group's ongoing M&A strategy.

OPERATING PROFIT, MSEK



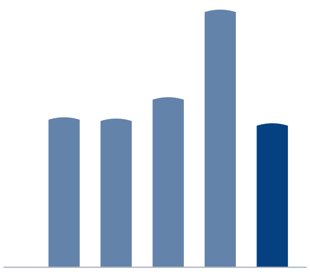
YR	2014	2015	2016	2017	2018
	379	396	524	678	706

OPERATING MARGIN, %



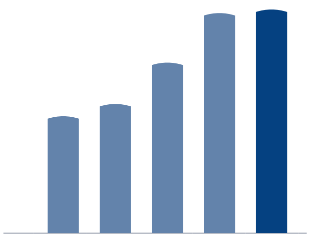
YR	2014	2015	2016	2017	2018
	10.1	10.1	11.7	13.1	12.6

CASH FLOW PER SHARE, SEK



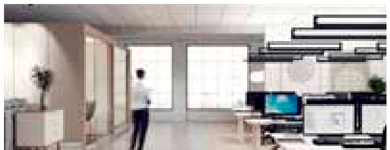
YR	2014	2015	2016	2017	2018
	3.44	3.91	3.41	5.96	3.30

EARNINGS PER SHARE, SEK



YR	2014	2015	2016	2017	2018
	2.30	2.54	3.35	4.32	4.39

Venus True Color, Incheon International Airport, South Korea.



Fagerhult Skywalker.

ateljé Lyktan – Snøhetta.

AWARD HIGHLIGHTS

LED Linear — Venus True Color
Unbeatable design and efficient light technology — so began the jury's description of LED Linear's flexible LED luminaire VarioLED Flex VENUS True Color in the 2018 Red Dot Product Design award.

Fagerhult — Skywalker
Fagerhult also earned the 2018 Red Dot Product Design award. Skywalker takes the minimalist concept to new levels with its optimised technology packaged in an elegant vertical form. Innovative design brings forth innovative optics. The newly developed Beta Opti Nano louvre provides high lighting efficiency and optimal lighting comfort without multiple shadows.

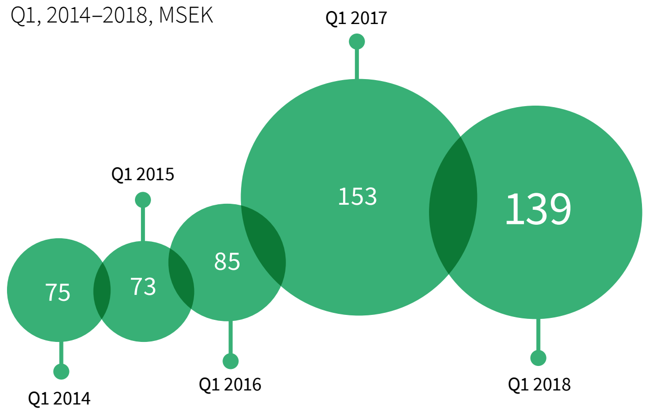
ateljé Lyktan — Snøhetta
Snøhetta's and ateljé Lyktan's experimental collection was awarded the Luminaire of the Year Award by Form magazine. The prototypes included, among other concepts, a lamp with a plant.

KEY PERFORMANCE INDICATORS

	2018	2017
Net sales, MSEK	**5,621**	5,170
Operating profit, MSEK	**706**	678
Profit after financial items, MSEK	**667**	653
Earnings per share, SEK	**4.39**	4.32
Sales growth, %	**8.7**	15.1
Operating margin, %	**12.6**	13.1
Net debt/EBITDA ratio	**2.0**	2.2
Equity/assets ratio, %	**32**	31
Return on capital employed, %	**14.8**	16.8
Return on equity, %	**25.0**	28.1
Net debt, MSEK	**2,073**	1,830
Net investments in non-current assets, MSEK	**123**	177

Q1

Operating profit
Q1, 2014–2018, MSEK



- An operating profit of MSEK 138,6 delivers yet another high performance in the quarter.
- Operating profit is approximately 44 per cent ahead of four year average

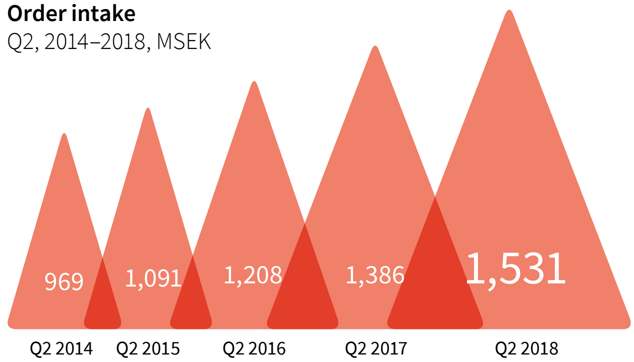
Q2

ORDER INTAKE
Q2 2018

10.4%

- 2018 is an all time high at MSEK 1,531.1, +10,4 per cent over Q2 2017.
- The acquisition of Veko was completed on 20 April and brings significant Group opportunities in the industrial sector.

Order intake
Q2, 2014–2018, MSEK

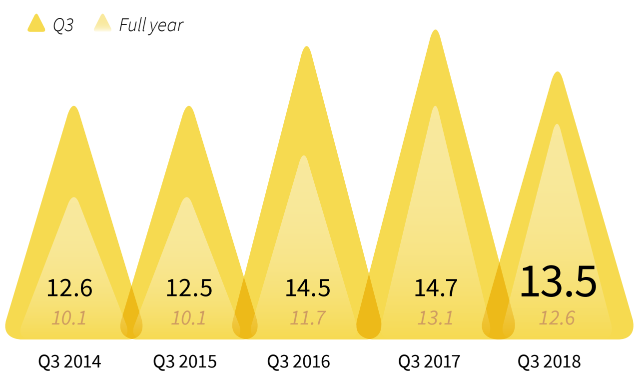


2018

Q3

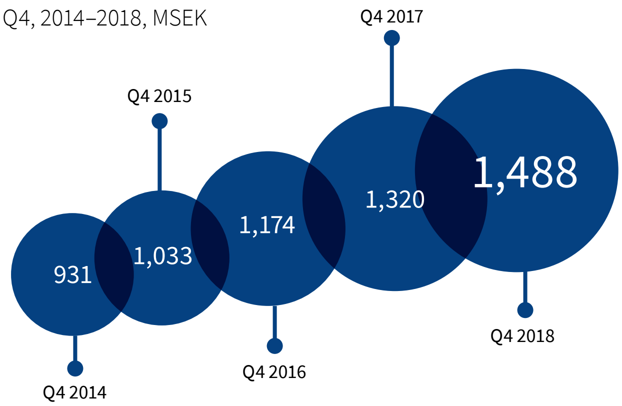
- Consistent delivery of healthy operating margins, both for the third quarter and for the full year.
- The Western & Southern Europe business area becomes the Group's largest region, de-risking dependence on Northern Europe and the UK.

Operating margin
Q3, 2014–2018, %



Q4

Net sales
Q4, 2014–2018, MSEK



- 2018 is an all time high at MSEK 1,488.1, +12.7 per cent over Q4 2017.
- Fagerhult signed an agreement to acquire 100 % of the shares of iGuzzini illuminazione S.p.A., a company based in Recanati, Italy.

NET SALES
Q4 2018

12.7%

"We want to drive development within the lighting industry"

Tell us about your first impression of the Fagerhult Group. What led you here?

– I saw an exciting industry and a company with incredible experience and know-how in lighting!

– The lighting industry is also going through an interesting technological development with internet-connected luminaires, which creates new business as well as collaborations with other industries. With my background and knowledge in the Internet of Things, I look forward to participating in developing this business.

– The strong culture of Fagerhult was another good impression. There's an openness and an inclination toward change here, which is a prerequisite in today's quickly changing world!

– I see a fantastic opportunity for us to be a driving force in the European lighting industry and to make the world a little more beautiful with the help of light.

2018 was an eventful year for the Group. How would you summarise the year as whole?

– We're continuing to follow our strategy, and during the year we've made further acquisitions that strengthen our offering and geographic presence. We're now one of Europe's largest and leading lighting solution suppliers.

– The acquisition of Veko Lightsystems at the start of the year strengthened the industrial segment, helping our presence in the markets in the Netherlands, Germany, Belgium and the UK.

– In December, we signed an agreement to acquire iGuzzini – our most significant acquisition to date. The Italian firm iGuzzini has sales of around 240 million euro and a very strong brand within the premium segment worldwide. For years now, they've focused on close collaboration with architects. I'm quite proud that they're going to be part of the Fagerhult Group.

– If you look back on 2018, you can see that we've become a serious European player. We're now larger in Western and Southern Europe than in Northern Europe, which has traditionally been our largest business area. When it comes to organic growth during the year, we have more to do. A contributing factor in our development is the uncertainty in the UK market. To support our organic growth, we've opened several new offices – in Barcelona, Paris and Istanbul – and invested in exhibition rooms. Contributions from all these initiatives are in line with our strategy of becoming an even better partner for architects, lighting designers and electrical consultants in the local markets.

Acquisitions play an increasingly important role in the Group's growth strategy. How quickly can a company grow, and how are the acquired companies integrated?

– With our decentralised business model and brand strategy based on strong local brands, acquired companies have freedom to independently develop in their respective businesses within the framework of the Group's strategy. With us, they have access to new markets and longevity with strong owners.

– Integration is primarily about finding shared business opportunities and new collaborations for organic growth. Together, we also have an enormous knowledge base that helps us develop new offerings, for example within internet-connected lighting solutions.

– The challenge is in creating a common view. It's important to be attentive, to build a culture based on a respect for entrepreneurs and people, and to build trust. Fagerhult is an entrepreneur-driven company, a value that I'm passionate about. It's my responsibility to work together with employees and managers in companies to strengthen our shared culture.

The lighting industry is going through major change, driven by digitalisation and development, not least within the Internet of Things. What is your view of the Fagerhult Group's role in this development?

– We want to drive development in the lighting industry and be at the forefront of moving to LED, which represents almost 100 per cent of sales today. While the shift to LED was a technological shift, today's smart lighting environments are creating an entirely new game plan

with opportunities to develop new services. With our offering within Controls & Connectivity, we're well positioned to capture a leading role in this trend.

– Partnership with other players around new business opportunities is an important part of Fagerhult's strategy. Among other projects, we've initiated a collaboration with Securitas and Axis to research possible applications where internet-connected lighting solutions can contribute to new and improved security solutions (read more on p. 24).

Sustainability is on every company's agenda these days. How does sustainability help strengthen your business?

– Sustainability is a major topic, not just in Sweden but in Europe and the world over. For the younger generation, it's self-evident. For us, it's an important part of our total value creation. Our exemplary and quick conversion to LED has helped lower energy consumption during the use phase. Additionally, our solutions help increase security and safety by optimising lighting where and when it's needed. Further value is created through internet-connected lighting environments, where data that's collected via sensors can contribute to the development of new, smart services.

What will be your primary focus in 2019?

– A continued focus on internationalisation, with the goal of creating organic growth by increasingly working with sales synergy between companies. Successfully welcoming iGuzzini to Fagerhult will also be one of my focus areas.

– It's been an intensive period since I started, and my first impression of the Fagerhult family has only strengthened – there is enormous know-how here regarding lighting, and our performance in 2018 has made us even stronger moving forward. I'd like to extend my sincere thanks to our employees for their outstanding contributions during the past year and for the warm welcome I've received as the new CEO. I look forward to developing the Fagerhult Group together, toward our vision of becoming a leading global provider of lighting solutions.

Habo, January 2019

Bodil Sonesson
President and Group CEO

12 strong brands

A common characteristic of Fagerhult's portfolio of twelve brands is the strong position they each hold in the market, often this is the domestic market, sometimes it is the international market. They all play a central role in the growth of our product areas, reaching broader market coverage and increasing the Group's market shares.

1945 – FAGERHULT

Head office: Fagerhult, Sweden
Product areas:
Indoor, Retail, Outdoor

Fagerhult accounts for the largest part of the Group's total sales. Strongest position in the North European markets.

1974 – ateljé Lyktan

Head office: Åhus, Sweden
Product areas: Indoor, Outdoor

A design-focused brand with a premium position offering Swedish design for public places. Strongest position remains in Sweden, but with a growing international presence.

2005 – Whitecroft lighting

Head office: Manchester, UK
Product areas:
Indoor, Retail, Outdoor

The Group's second largest brand in terms of total sales. Also the second largest luminaire manufacturer in the UK market.

2007 – eaglelightingaustralia

'Member of the Fagerhult Group'

Head office:
Melbourne, Australia
Product areas:
Indoor, Retail, Outdoor

One of the major brands in the Australian and New Zealand markets. The offering also includes products from Fagerhult, Designplan and LED Linear.

2010 – LTS

LOVE TO SHINE

Head office: Tettnang, Germany
Product areas: Indoor, Retail

With its quality focus, LTS occupies a strong position, primarily in the German market, with lighting solutions for retail concepts.

2011 – designplan LIGHTING

Head office: Sutton, UK
Product areas: Indoor, Outdoor

With lighting solutions for secure environments and the transportation sector, Designplan has a niche position primarily in the UK market and a growing export business.

Fagerhult, Padel Arena, Jönköping, Sweden.

Lighting Innovations, Business Connexion, Centurion, South Africa.

WE-EF, Schierker Feuerstein Arena, Germany.

LED Linear, Gammel Hellerup High School, Denmark.

Designplan, London Bridge Station, UK.

2013

iVALO

Head office: Iittala, Finland
Product areas: Indoor, Outdoor

Strong brand in lighting solutions for demanding industrial environments, with a leading position in the Finnish market.

2014

ARLIGHT

Head office: Ankara, Turkey
Product areas: Indoor, Retail

Arlight has a strong position in the Turkish market for indoor lighting and a growing international dimension.

2015

LIGHTING INNOVATIONS

Head office: Port Elizabeth, South Africa
Product areas: Indoor

Lighting Innovations occupies a strong position in the South African market, with a growing presence in the dynamic sub-Saharan region.

2016

LED LINEAR™ lighting solutions

Head office: Neukirchen-Vluyn, Germany
Product areas: Indoor, Retail, Outdoor

LED Linear develops and manufactures world-class linear LED luminaires for professional environments, with an established global sales network.

2017

we-ef

Head office: Bispingen, Germany
Product areas: Outdoor

WE-EF designs and manufactures high-end outdoor luminaires, with a global presence and sales. The WE-EF brand is internationally recognised among designers, specifiers and architects.

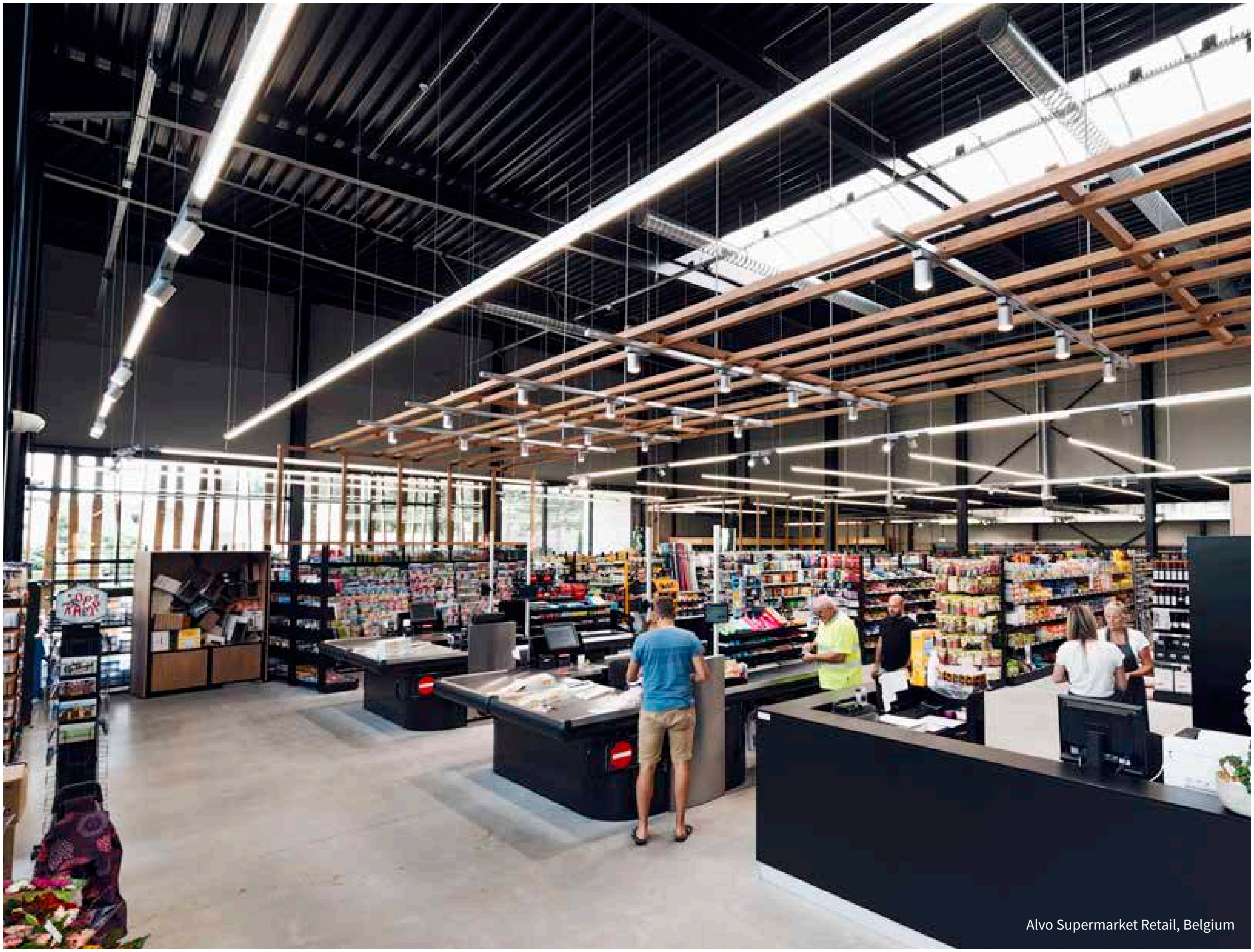
2018

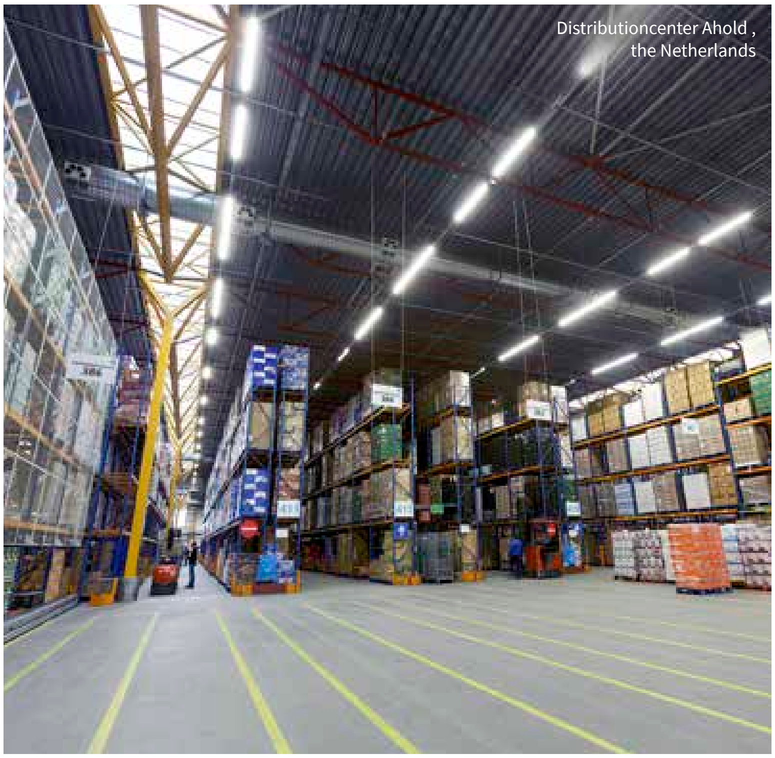
VEKO LIGHTSYSTEMS

Head office: Schagen, the Netherlands
Product areas: Indoor

With its linear LED lighting solutions, consisting of LED modules and luminaires with integrated or separate control systems, Veko has created a strong position in the industrial segment.

Read more next page ▶


Alvo Supermarket Retail, Belgium


Distributioncenter Ahold ,
the Netherlands


Sportscenter,
the Netherlands

The latest acquisition opens the door to a growing industrial segment

The acquisition of Veko Lightsystems International B.V. strengthens Fagerhult's position in the international market and grants access to a broad offering of supplementary lighting solutions for the industrial segment.

VEKO IN SHORT:

- **Net sales 2017:** approx. MEUR 37
- **Number of employees in December 2017:** 134
- **Local presence:** Headquarters with production facilities in Schagen, the Netherlands. Sales offices in the Netherlands, UK and Germany. Represented by various agencies in Belgium, France, Spain, Slovakia, the Czech Republic, Ukraine and United Arab Emirates.

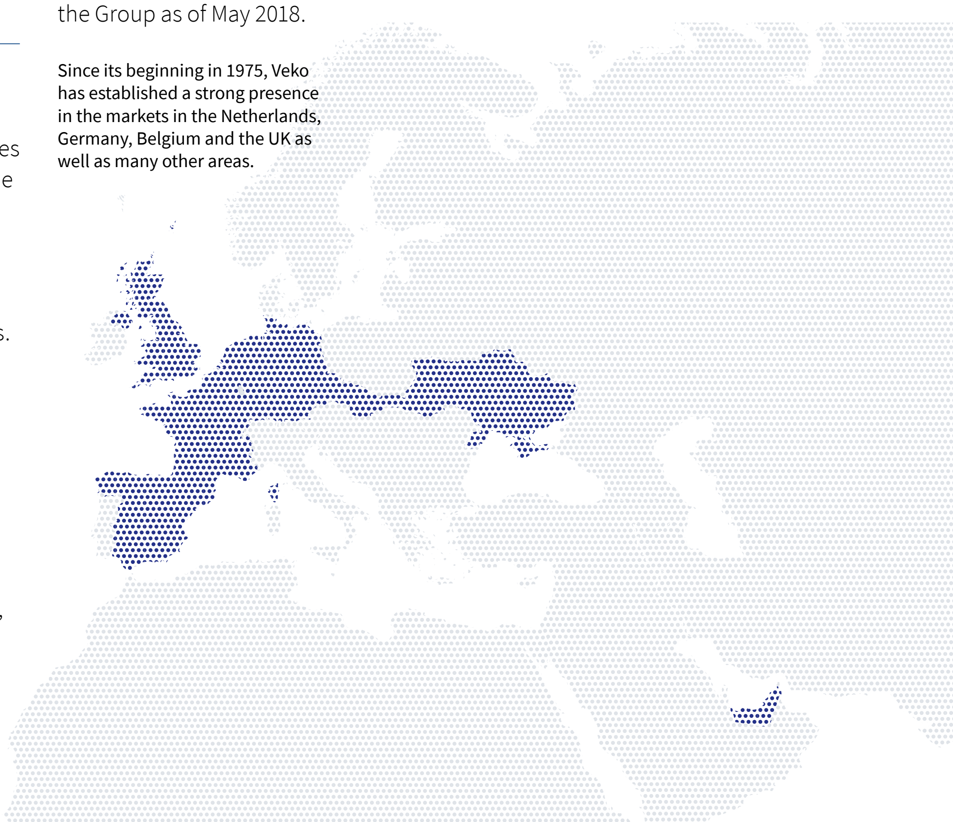
Veko Lightsystems International B.V. (Veko) designs and manufactures linear LED lighting solutions for the industrial segment. Its solutions are used in warehouses and distribution centres, where demand has grown due to increased e-commerce. Moreover, the products are suitable for data centres, workshops, training centres and sport facilities.

The lighting solutions consist of LED modules and luminaires with integrated or separate control systems. Veko's business model makes it easy to provide the specifications for complex systems, from design to manufacture and installation.

Veko is based in the Netherlands, with its head office and production unit located in Schagen. The sales offices are located in Breda (the Netherlands), Birmingham (the UK) and Duisburg (Germany). Since its beginning in 1975, Veko has established a strong presence in the markets in the Netherlands, Germany, Belgium and the UK as well as many other areas.

The acquisition is strategically important for Fagerhult, since it opens the door to a new industry segment and further strengthens the company's position internationally, especially in Europe. The combination of Veko's broad portfolio of luminaires, control systems and connected solutions also means that the product area Indoor is additionally strengthening its offering in intelligent lighting.

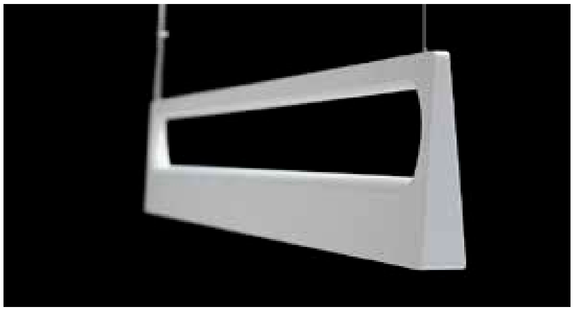
The acquisition of 100 per cent of the shares in Veko was concluded in April 2018 and was consolidated into the Group as of May 2018.



Since its beginning in 1975, Veko has established a strong presence in the markets in the Netherlands, Germany, Belgium and the UK as well as many other areas.

Trends, drivers and stakeholders

High quality lighting, digitalisation and sustainability are all examples of drivers in designing today's lighting solutions. Customers and other stakeholders have a part in influencing this trend.



DEMAND FOR HIGH QUALITY LIGHTING

As the transition to LED nears completion, the focus today is more on quality in lighting solutions. This regards how LED technology can be optimised, as well as how better work environments and well-being are created through proper planning of lighting — for example, having the right light in the right place and a high level of visual comfort through high quality dimming. Collaboration from specifier level to end customer is an important success factor in creating these high quality lighting environments.

DIGITALISATION CONTINUES TO SET THE PACE

Digitalisation affects all sectors of society, including the lighting sector. Sensor-equipped luminaires, access to advanced control systems and connections to the internet create untold opportunities to add new value for customers, even in ecosystems with other players. The market is undergoing a major change, in which the understanding and definition of sustainable business models is developing and interest in innovative solutions is growing. See, for example, Fagerhult's pilot project in partnership with Securitas, p. 24.

SUSTAINABILITY IN ALL STAGES

Sustainability is an issue on the agenda for both businesses and society. Today's LED-based lighting environments provide several advantages linked to sustainability, for example, longer service life and reduced energy consumption. But going forward, the issues are also the long-term impact on people, the environment and society and designing future-proof solutions. Sustainability is an increasingly important factor in customers' lighting choices.

FAGERHULT'S RESPONSE

Through its twelve brands, Fagerhult has a broad offering of both luminaires and intelligent solutions. The Group's decentralised business model results in a strong position for the local brands and the opportunity to build close relationships at customer and specifier levels.

FAGERHULT'S RESPONSE

Over the last few years, Fagerhult has systematically increased its Controls and Connectivity technology area to strengthen its offering of smart lighting solutions. Several strategic acquisitions and investments have been carried out, and the Indoor, Outdoor and Retail product areas have the capacity to meet customers' changing needs.

FAGERHULT'S RESPONSE

Sustainability is an integral part of Fagerhult's business model. Being active across the entire value chain, from supply chain and manufacture in our own plants to sales and installations for customers, creates the preconditions for understanding and managing risks and possibilities in sustainability.

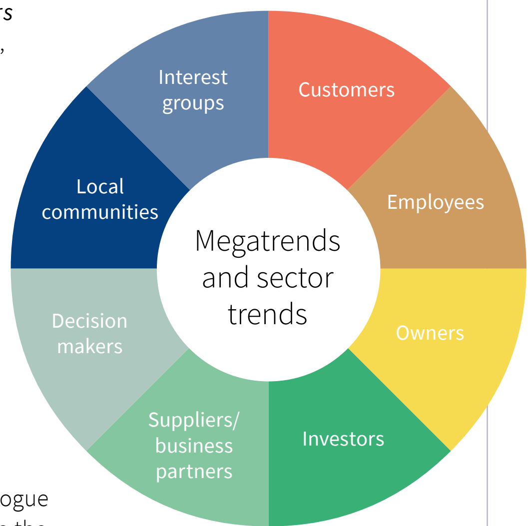
STAKEHOLDERS' VOICES GIVE FOCUS TO THE WORK

The Fagerhult Group is surrounded by numerous stakeholders who influence and are influenced by our operations to differing extents. Conducting dialogues with them is central; this occurs with the aim of balancing the various interests, expectations and needs. The hope is that, in the same way, the dialogues can lead to increased awareness of the Fagerhult Group and how our lighting solutions can contribute to sustainable value creation.

Dialogue with our stakeholders

Based on the Group's operations, the following stakeholder groups have been identified:

- Customers
- Employees
- Owners
- Investors
- Suppliers and business partners
- Decision makers
- Local communities
- Interest groups



Stakeholder dialogues with each of these groups, in which the dialogue formats and scope are adapted to the respective stakeholder group's needs and wishes, are held continuously throughout the year.

For more information on stakeholder collaboration in 2018 and which issues were in focus, see p. 28–29 and the GRI appendix at www.fagerhultgroup.com

Consistent strategy to 2020 continues to deliver

The implementation of the strategy to 2020 continued during the year. Intelligent lighting plays an increasingly important role in Fagerhult's offering. The acquisition of Veko Lightsystems opens the door to a new and growing sector in indoor lighting.

In line with the vision of becoming a leading global provider of lighting solutions, the ambition for 2020 is to continue delivering innovative solutions — both luminaires and connected solutions — and to achieve increased global presence. The importance of intelligent lighting has increased, and the trend has been a positive one.

STRATEGY

2018 marks the halfway point of the current strategy period, in which several important steps have been taken. Focus remains on profitable growth, organically and through acquisitions.

Since this strategy was launched in 2016, the acquisition of Veko Lightsystems International B.V. (Veko) was one of the strategic milestones. Veko designs and manufactures linear LED lighting solutions for warehouse and industrial environments. Its product portfolio covers a range of smart solutions.

Connected lighting plays an increasingly important role in the Group's offering. There is demand in all product areas — Indoor, Outdoor and Retail.

STRATEGIC FOUNDATIONS AND STRENGTHS

One of Fagerhult's strengths is the company's master brand strategy, which is supplemented by twelve strong brands in their respective local markets and geographic regions — positions that have systematically been built up through customised product portfolios, a strong customer-centric approach and a capacity to act locally and globally. With its own business, market and product strategies, each subsidiary bears its own responsibility for relating to the Group strategy. An additional strength in Fagerhult is the aggregate knowledge and experience in lighting that has been built up over the Group's 74-year history. Today, the company is a knowledge leader in lighting solutions. Local manufacturing in all major markets also promotes strong delivery capacity.

The 2020 strategy is integrated into Fagerhult's decentralised business model, which together with the above makes realising the Group's economies of scale possible. There is a shared forum for research and development, controls, purchasing and manufacturing.

Sustainability is a key component for long-term success and an integral part of daily operations at Fagerhult. The focus is on prioritised issues based on impact in the value chain.

STRATEGIC ACQUISITIONS:

2017 — 2018 — 2020

2017

WE-EF — the focus is on designing and manufacturing high-end outdoor luminaires

Organic Response — acquisition of intellectual property rights for wireless lighting

Seneco — acquisition of 20 per cent, an industry leader in controlling street lighting

2018

Veko Lightsystems — designer, manufacturer and supplier of linear LED lighting solutions for the industrial segment

FAGERHULT 2020
The Group's strategic framework

VISION
Fagerhult is to become a leading global lighting solutions provider.

STRATEGIC GOALS
Increased profitable growth, an increased global operational footprint, and strengthening the Group's offer for intelligent lighting controls solutions.

FAGERHULT'S FOUR STRATEGIC INITIATIVES 2020
The four strategic initiatives provide the framework for continuing to manage and grow the Group's strong brand positions through until 2020.

INDOOR
Leverage strong Indoor position for further profitable growth.

OUTDOOR
Build Fagerhult to a top player in Outdoor.

RETAIL
Profitable growth in Retail with focus on defined segments.

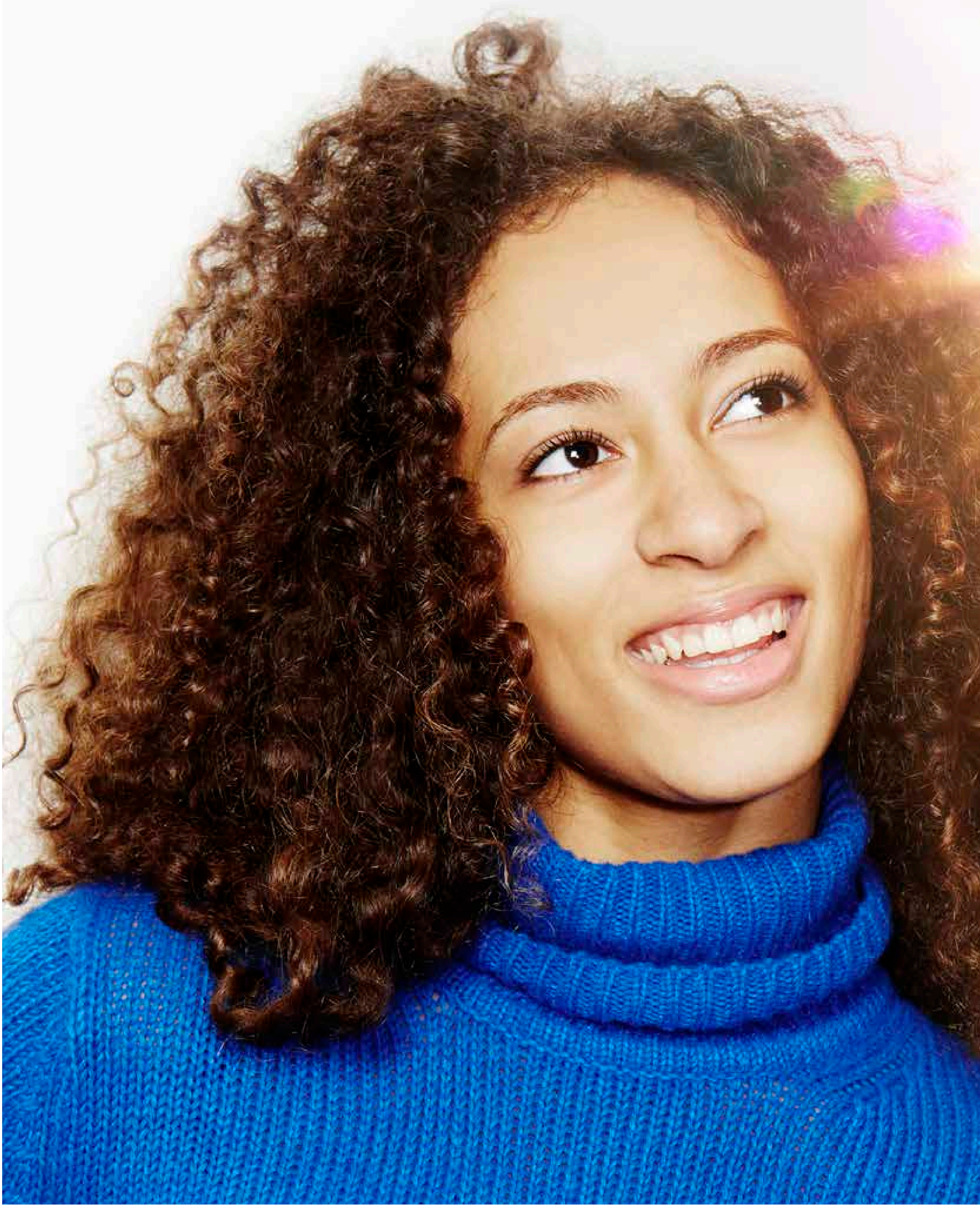
CONTROLS AND CONNECTIVITY
Develop a broad controls offering, compatible with standards and solutions in the market.

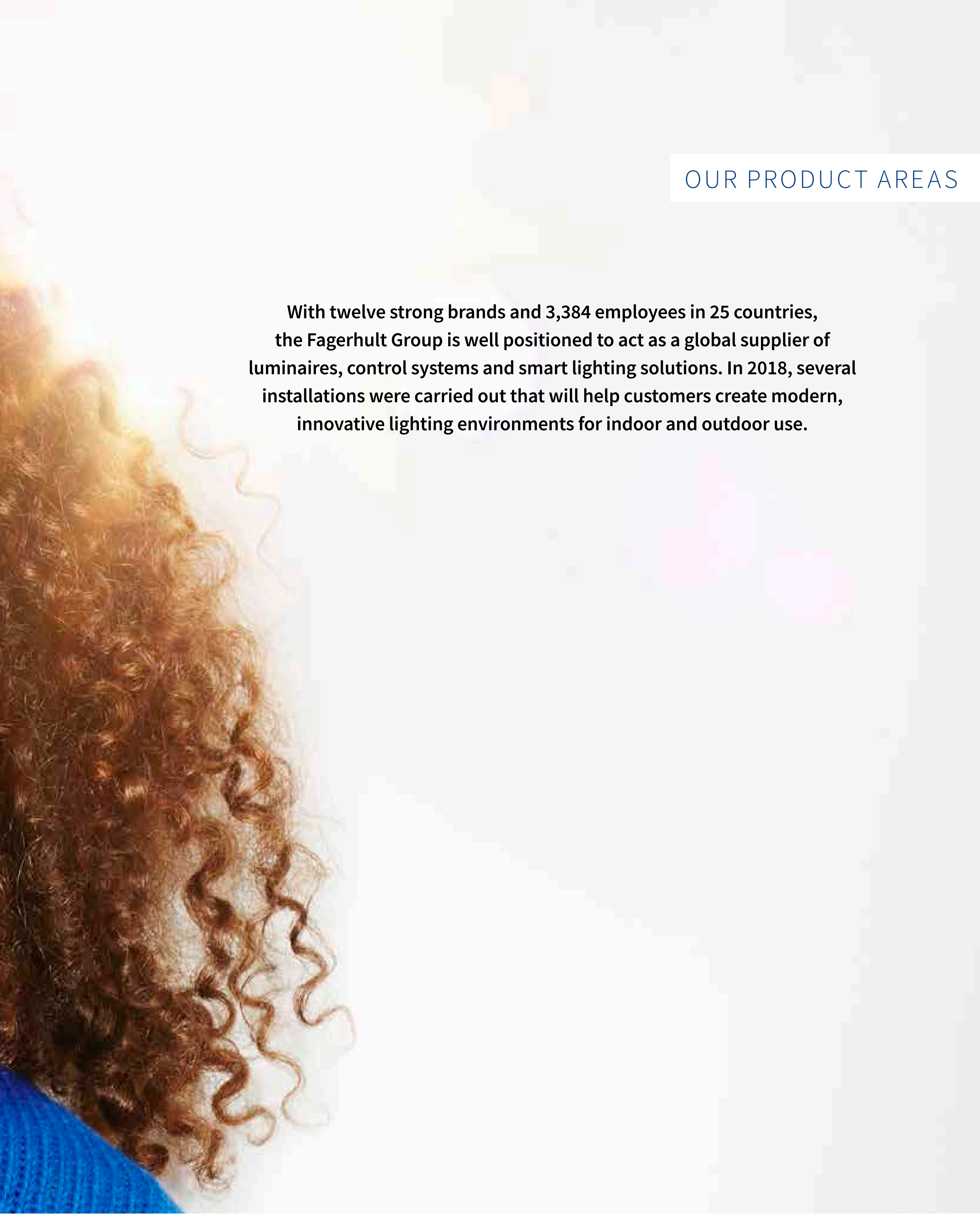
Leverage M&A to become a truly global player and to strengthen position in existing markets.

STRATEGIC IMPERATIVES
- Lighting expertise.
- Broad product range and customization.
- Delivery precision through strong supply chain.
- Good product service quality.

STRATEGIC ENABLERS
- Entrepreneurial 'can do' cultures driving core values.
- Leverage Group scale and knowledge.
- Attract, grow and retain the best people.

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





OUR PRODUCT AREAS

With twelve strong brands and 3,384 employees in 25 countries, the Fagerhult Group is well positioned to act as a global supplier of luminaires, control systems and smart lighting solutions. In 2018, several installations were carried out that will help customers create modern, innovative lighting environments for indoor and outdoor use.

Eleven of the Group's brands develop and market lighting solutions for indoor use. This makes Indoor Fagerhult's largest product area. The largest application is lighting for offices, where solutions with smart and connected control systems are an important part of the offering. Fagerhult also offers luminaires adapted to environments with special requirements such as schools, hospitals and other institutional environments.

Lighting plays a major role in retail environments, both for stimulating buying behaviour and for building the brand. The Retail product area offers lighting solutions for fashion and food retail chains, café and hotel environments, and car showrooms. In certain cases, special luminaires are also developed for unique customer concepts. Smart control systems enable lighting, and thereby the retail experience, to be customised in order to create the right feeling in interactions with customers.

Outdoor has a complete offering of luminaires for public outdoor environments. There are products for footpaths, parking garages, streets and larger roads, as well as for lighting unique environments such as squares, monuments, and architecturally advanced and prestigious buildings. Smart, connected control systems make installation easier and more cost-efficient, which results in energy savings and creates new possibilities for remote control of lighting.

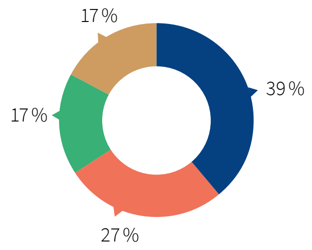
DEVELOPMENTS IN 2018:

During 2018, Indoor sales amounted to MSEK 3,344 with good growth in Sweden, Finland, Ireland, Germany and South Africa. The shift to LED has been completed in Indoor and the attention turns to connected solutions.

CONTROLS AND CONNECTIVITY:

In pace with the change in technology to LED, interest has focused more on intelligent, connected control systems for lighting. Fagerhult offers a number of different solutions, for example Organic Response, which with its sensor-equipped luminaires optimises lighting control and energy savings. Connected solutions also create new possibilities where movement data can create value in other contexts. See Fagerhult's pilot project in partnership with Securitas and Axis, p. 24.

NET SALES PER BUSINESS AREA:



- Northern Europe, 39 %
- UK and Ireland, 27 %
- Western and Southern Europe, 17 %
- Africa, Asia and the Pacific, 17 %

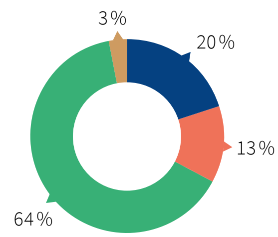
DEVELOPMENTS IN 2018:

Net sales for 2018 were MSEK 1,082. The largest growth regions were seen in France, Estonia and the UK clothing sub-sector. During the year the Group consolidated it's Fagerhult Retail operation into the Habo factory to provide improved customer service and a more competitive position.

CONTROLS AND CONNECTIVITY:

Today, lighting is equally as important as decor and design. By using intelligent, wireless control systems, it is possible to create various lighting scenarios for different environments and customers easily and cost-efficiently. It could be an issue of optimising light levels and colour temperature to create the right mood in the store. Fagerhult offers a number of different solutions, and works closely with the customer to find the best solution in every situation.

NET SALES PER BUSINESS AREA:



- Northern Europe, 20 %
- UK and Ireland, 13 %
- Western and Southern Europe, 64 %
- Africa, Asia and the Pacific, 3 %

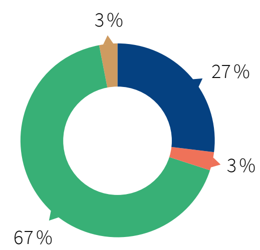
DEVELOPMENTS IN 2018:

Outdoor increased its net sales by MSEK 140 to MSEK 1,195 compared with 2017. MSEK 89 of the increase is due to the full year effect of WE-EF with the remainder being organic growth across the Group's other brands addressing this segment.

CONTROLS AND CONNECTIVITY:

Wireless control of outdoor lighting yields major advantages in efforts to create attractive outdoor environments. One example is Seneco's connected solution for proximity sensor control of streets and roads. In addition to simple wireless installation, the solution enables optimised lighting control and energy savings. Using a web-based platform, it is also possible to program lighting and to monitor function remotely.

NET SALES PER BUSINESS AREA:



- Northern Europe, 27 %
- UK and Ireland, 3 %
- Western and Southern Europe, 67 %
- Africa, Asia and the Pacific, 3 %

1. Nationalmuseum,
Stockholm, Sweden.

2. Lösev Health Care, Ankara, Turkey.

3. St. Romain Church, Ayent, Switzerland.

4. Gemeentehuis Bodegraven/City Hall Bodegraven, Netherlands.

INDOOR

1. HISTORY IN NEW LIGHT

After five years of moving, renovating and reconstructing, Nationalmuseum, Sweden's museum of art and design, re-opened in 2018. ateljé Lyktan is proud to have two specially designed luminaires installed; Satellite and Mela. Satellite is a pendant luminaire inspired by the orbiting satellites in space. Mela is based from the shape of an apple – the fruit of knowledge. It originated as a table luminaire but has developed to a ceiling/pendant luminaire.

2. HOSPITAL, HOTEL AND SCHOOL — ALL IN ONE

LÖSEV is a Turkish foundation built for treatment and support of kids who suffer from leukemia. LÖSEV Town is a campus project with three main buildings; oncology hospital section with 400 bed capacity, hotel section with the 93 rooms, and school with 38 classrooms. Arlight has been a proud partner to complete the architectural lighting design of the project for more than two years; both with lighting design support and luminaires with standard and customised product range.

3. LET THERE BE LIGHT

The St. Romain church located in Ayent, Switzerland, is a historic monument built in the 19th century and inaugurated in 1867. The bell tower dates back to 1514. For the 150th anniversary, restoration and modernization work was undertaken. The aim of the lighting project was to enrich the sacred aspects by highlighting the historical and social values of the building. The imposing vault was staged by linear lighting with XOOLUM HYDRA 36 from LED Linear.

4. A SUSTAINABLE CITY HALL

The main goal for renovating the city hall of Bodegraven was to do this in a sustainable way while maintaining the current ceiling. The installation of 400 e-Sense Organic luminaires was realized in only one weekend and the result was smart LED lighting. Lighting control in stairwells offer huge potential for reducing energy consumption in a building without additional wiring. Discovery Evo with e-Sense Move was the perfect solution for the stairs, supplied by Fagerhult.

1. MAD by Carling, Stockholm, Sweden.


2. Gallerian, Stockholm, Sweden.

3. Aleksi 13, Helsinki, Finland.


4. Hallarna, Halmstad, Sweden.

RETAIL

1. FAGERHULT GOES MAD

Norwegian denim giant Carlings opened their first concept store MAD (Music, Art and Denim) in Stockholm in March 2018. Together with the client, Fagerhult created a totally new lighting concept, supporting the purpose of selling clothes as well as displaying young artists through art exhibitions, record signings and concerts. With app solution Casambi, the staff can personalize the lighting through a device. The RGBW LED can produce any colour desired, and creates suitable atmospheres for art exhibitions, DJ-shows or events.

2. THE GRID IS LIT

Gallerian is a shopping centre in central Stockholm with over 18 million customers annually. The inner roof was refurbished and the customer, AMF Fastigheter, wanted an illuminated entrance roof. Fagerhult was involved early in the project and produced a specific project luminaire. Being involved from the start when developing the roofs construction, and worked closely with all the involved persons, enabled us with a qualify solution.

3. MODERN HERITAGE

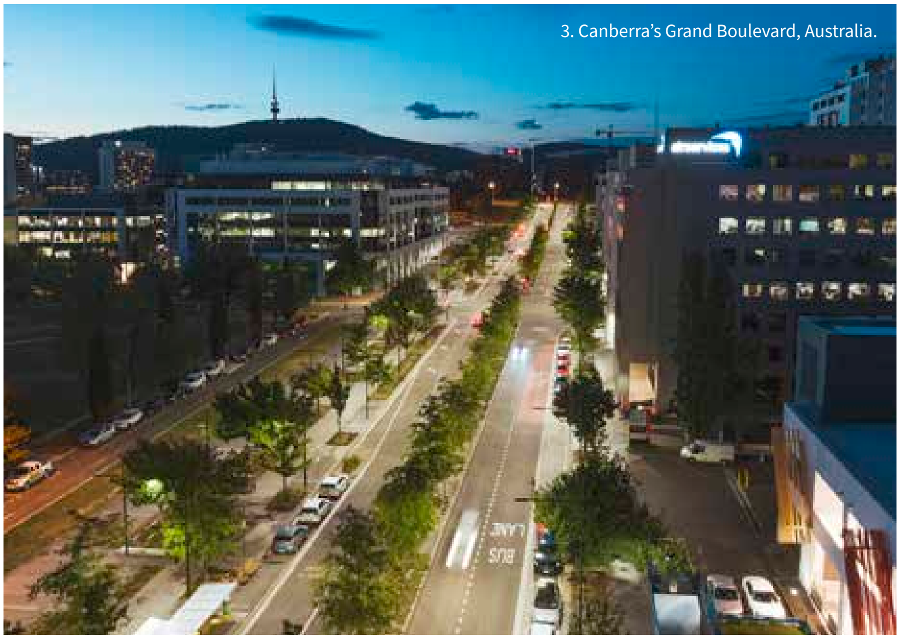
When celebrating its 50-year anniversary, the Finnish department store Aleksi 13 made an elegant makeover of its first floor. Fagerhult's Touch-spotlights were installed to give a flexible and sustainable solution, while highlighting the products and providing comfortable and soft contrasts to the shop. Xootube light installation from LED Linear personalized the whole inspiration area. The bright light spreads through the display windows, creating an attractive and tempting look to the flagship of Aleksi 13.

4. A CUSTOMIZED SOLUTION

The project at Hallarna in Halmstad, Sweden, is an example of a great crossover co-operation between the Retail and Indoor segments of Fagerhult, aiming to create a new up-to-date shopping mall. In collaboration with Fagerhult a customized solution was produced. With high-end finishes and customized materials the requirements were met both aesthetically and in terms of light comfort. Among other luminaires, 96 Special Freedom luminaires were installed in open areas, giving the space an artistic and interesting feel.

1. Ostasteidn Layby, Norway.

2. Incheon Airport, South Korea.



3. Canberra's Grand Boulevard, Australia.

4. Stadshusbron, Stockholm, Sweden.

OUTDOOR

1. ATTRACTION ALONG RYFYLKE

The rest area at Ostasteidn emerges on the west side of Sandsfjorden, immediately after the Sandsfjord Bridge. With the help of products from LED Linear, visitors are guided from the parking to the service building and back through lines of light, creating a navigable effect together with the lit doors. A walkway leads to seating facilities facing north with a beautiful view of Sandsfjorden, or to a bench by the rock, offering natural shelter from northwestern winds.

2. LIGHT IS IN THE AIR

Incheon Airport is the largest airport in South Korea and one of the largest in Asia. It is located on Incheon Island of Yeongjongdo in the Yellow Sea, 52 kilometers west of Seoul. The terminal design is based on the concept of Bonghwang (Korean Phoenix), a Korean mythological beast symbolizing authority, longevity, strength and balance. VarioLED Flex VENUS RGB IP67 from LED Linear are installed at the roof to underline this Korean design pattern.

3. CANBERRA'S BOULEVARD — EVEN GRANDER

The Constitution Avenue in Canberra is one of three sides making up the boundary of the Parliamentary Triangle. To improve the pedestrian journey and driving experience, the lighting scheme was redesigned. The requirement was compliance with exterior lighting standards, as well as energy efficiency, and the ability to control and dim the luminaires using remote monitoring wherever possible. The award-winning project used a solution from WE-EF.

4. CLASSIC CANDELABRA CITYLIGHTS

Stadshusbron in Stockholm, leading between the city hall and the government quarters, needed a more appealing lighting environment. ateljé Lyktan was assigned the task of enhancing Stockholm's cityscape with classic candelabras. A total of 28 luminaires were produced in black and brass. Although a classic and slim design, the luminaires are robust, reliable and optically advanced. In this case, the surroundings with all its existing architecture needed to co-exist with the luminaire in an obvious manner.

Intelligent lighting control with motion sensing creates new possibilities

Connected luminaires enable the creation of new services. In partnership with Securitas and Axis, Fagerhult has investigated potential lighting partnerships as an integrated part of various security solutions.

Initiated in early 2017, the partnership between Securitas, Axis and Fagerhult aims to investigate potential applications in which lighting solutions can enable new and improved security solutions. One of the applications identified was using motion information from Fagerhult's luminaires to improve and supplement Securitas's other offerings of security services.

Motion data is collected from Organic Response sensors that are integrated into Fagerhult's luminaires. Since the sensors are found in all the luminaires, a fine-mesh network of sensors is created that makes it possible to identify, with high precision, and to transfer information about people's movements in real time — all based on wireless communication. A major advantage is that Fagerhult's sensors can also be used in sensitive environments where cameras are not normally permitted.

Motion data is compiled and visualised in a cloud-based portal where any presence in the premises can be viewed in real time. The information in the portal can then be used remotely by Securitas operators in Securitas Operation Centres (SOCs) to help them obtain a better picture of where people are located in a premises being monitored (e.g. during evacuations, break-ins, etc.)

PILOT PROJECT AT MEDICON VILLAGE IN LUND

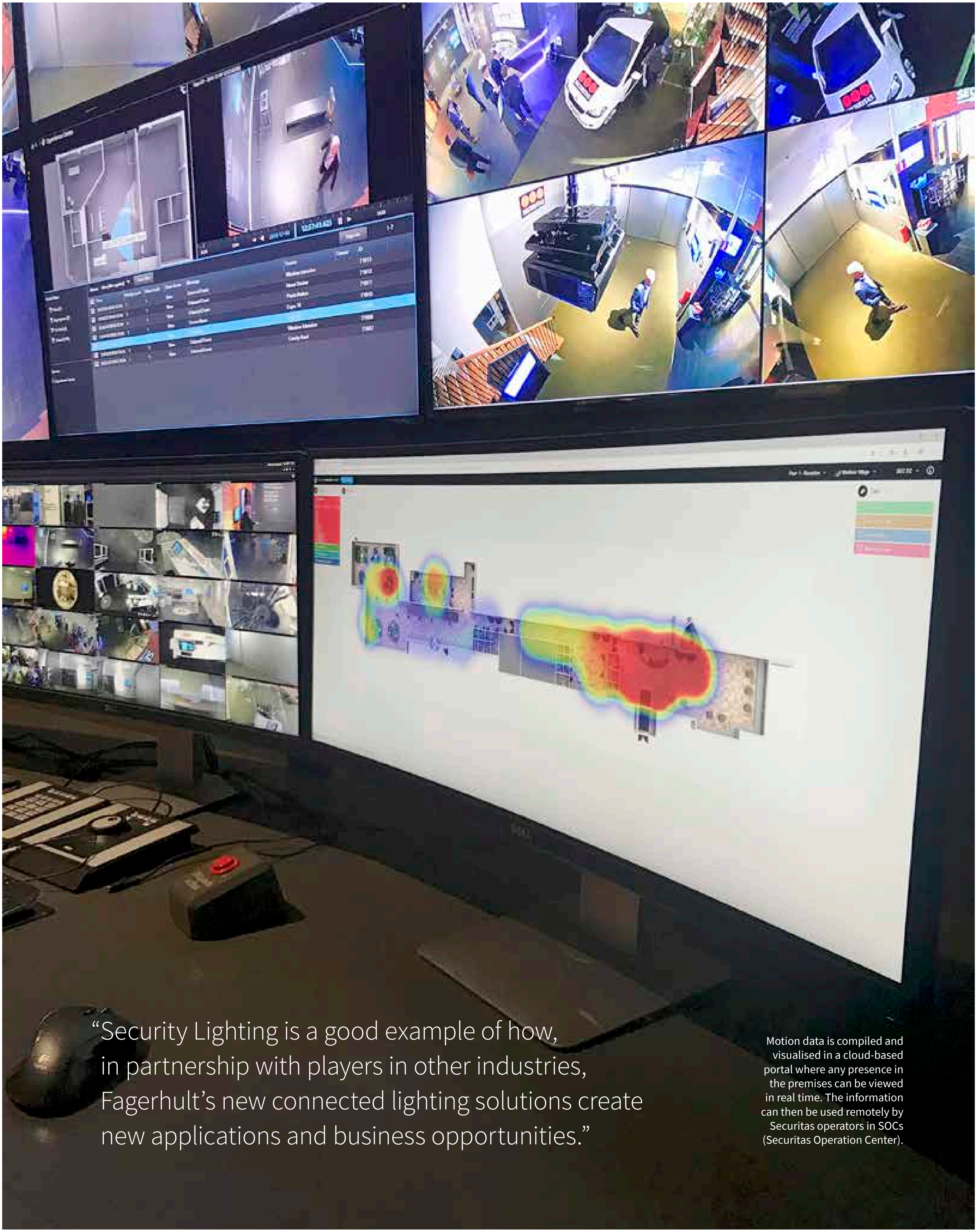
As an initial step, a pilot project has been installed at the Medicon Village Science Park in Lund. The solution consists of Fagerhult's luminaires equipped with sensors from Organic Response as well as cameras and speakers from Axis, and linked to a Securitas SOC. This pilot project will test how control and motion detection from Fagerhult's luminaires can facilitate evacuations.

In the event of an evacuation, illumination along evacuation routes is automatically strengthened while other illumination is dimmed somewhat so as to provide quick, intuitive guidance towards the nearest emergency exit. In parallel, Securitas SOC operators can follow the course of events in real time via the portal, which makes it easier to understand where people are located in the premises and to ensure that the evacuation proceeds according to plan.

If someone appears to be lagging behind, the operator can make use of the cameras from Axis to obtain more information about the course of events, and issue a customised call as necessary. With more, and clearer, information about people's presence and behaviour in the premises, measures that could be crucially important can be taken.

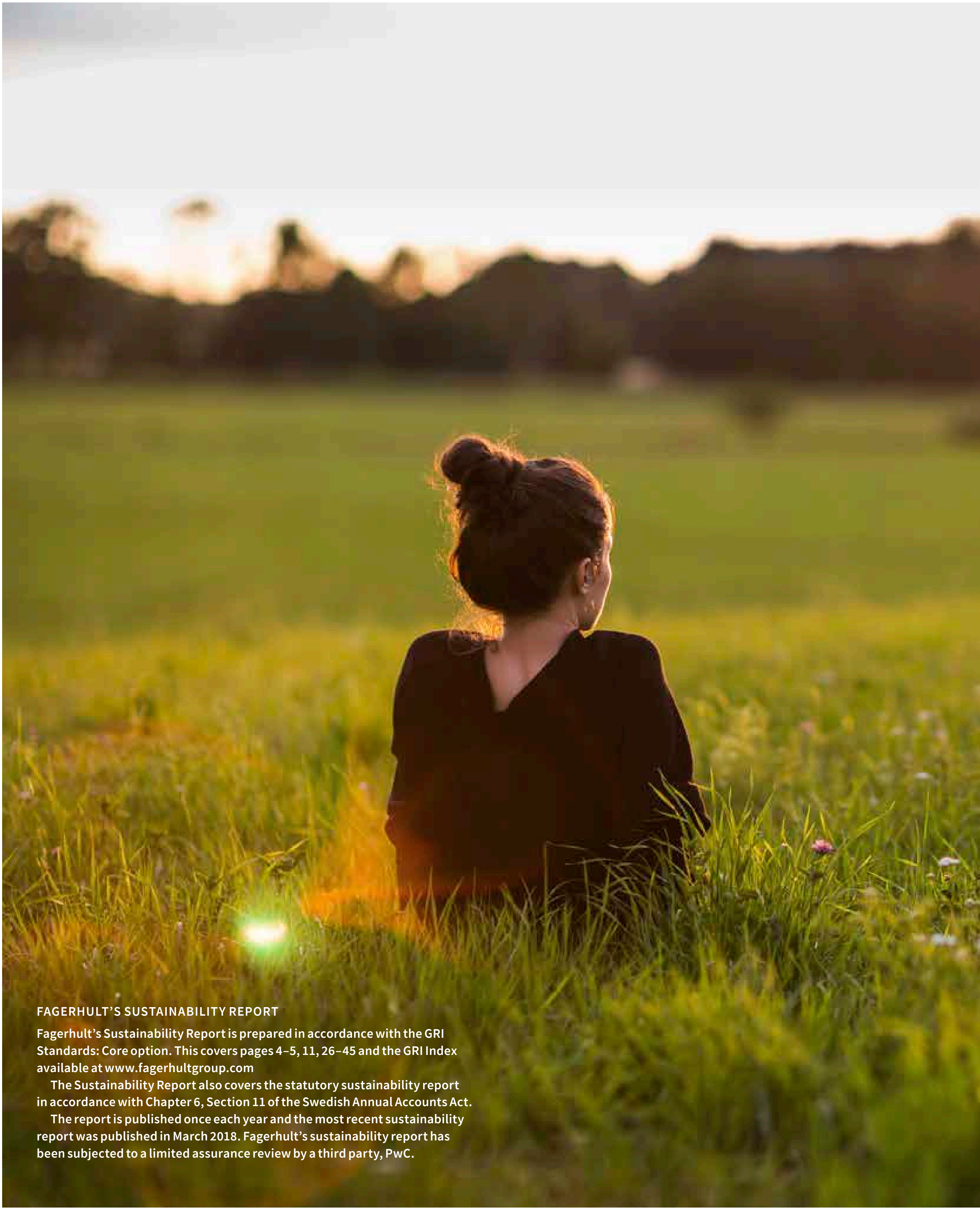
COLLABORATION AROUND NEW BUSINESS OPPORTUNITIES IS AN IMPORTANT PART OF FAGERHULT'S STRATEGY

Security Lighting is a good example of how, in partnership with players in other industries, Fagerhult's new connected lighting solutions create new applications and business opportunities. In this case, the partnership strengthens Securitas's security services while creating added value for the customer beyond lighting control. This is in line with Fagerhult's strategic ambition to broaden applications for our connected lighting solutions. Fagerhult is well positioned to take a leading role in the growth of new innovative solutions together with selected partners.



"Security Lighting is a good example of how, in partnership with players in other industries, Fagerhult's new connected lighting solutions create new applications and business opportunities."

Motion data is compiled and visualised in a cloud-based portal where any presence in the premises can be viewed in real time. The information can then be used remotely by Securitas operators in SOCs (Securitas Operation Center).

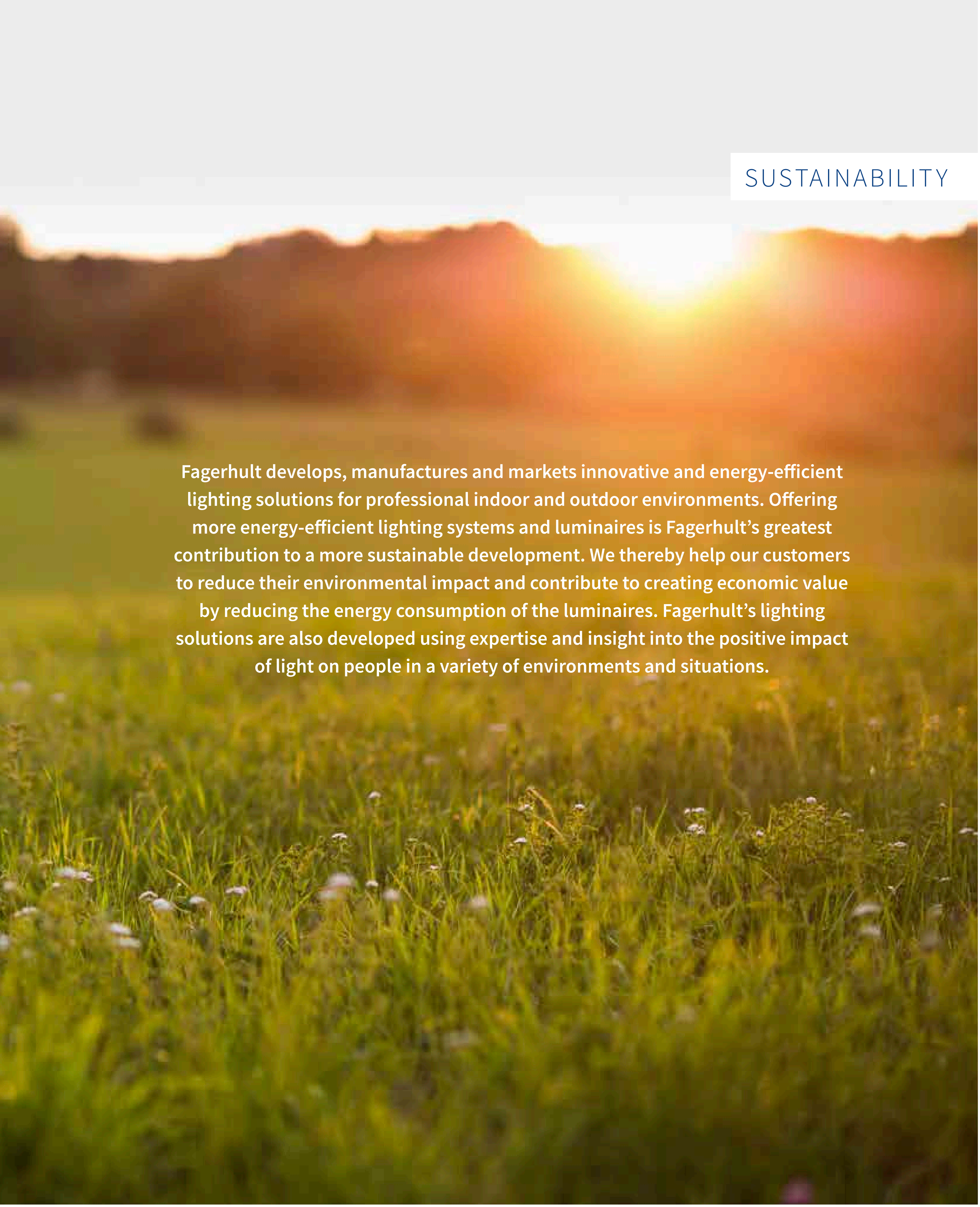


FAGERHULT'S SUSTAINABILITY REPORT

Fagerhult's Sustainability Report is prepared in accordance with the GRI Standards: Core option. This covers pages 4–5, 11, 26–45 and the GRI Index available at www.fagerhultgroup.com

The Sustainability Report also covers the statutory sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act.

The report is published once each year and the most recent sustainability report was published in March 2018. Fagerhult's sustainability report has been subjected to a limited assurance review by a third party, PwC.



Fagerhult develops, manufactures and markets innovative and energy-efficient lighting solutions for professional indoor and outdoor environments. Offering more energy-efficient lighting systems and luminaires is Fagerhult's greatest contribution to a more sustainable development. We thereby help our customers to reduce their environmental impact and contribute to creating economic value by reducing the energy consumption of the luminaires. Fagerhult's lighting solutions are also developed using expertise and insight into the positive impact of light on people in a variety of environments and situations.

Sustainability is a business possibility in today's world

The most material sustainability topics for Fagerhult to address and communicate on have been identified based on the impact of the Group's operations on the economy, society, people and the environment along the value chain.

The benefits and thereby the value of Fagerhult's lighting solutions are created during their use, through their contribution to lowered energy consumption and their ability to fulfil functions that improve outdoor and indoor environments. We take a broader perspective, however, as the starting point for our sustainability efforts, and include the operation's entire value chain in our continual work to minimise the negative and maximise the positive effects we have on it.

THE GROUP'S SUSTAINABILITY EFFORTS SUMMARISED IN FOUR AREAS

A materiality analysis weighs the topics relevant to the Group, given the companies' operations: The impact the operations have as regards the economy, society, people and the environment; and the topics that influence the stakeholders' decision-making and their expectations. To balance various interests, expectations and needs, it is vital for us to conduct active dialogues with the many stakeholders who, to differing extents, influence and are influenced by the Group's operations. Read more about our dialogue with stakeholders on page 11 and in the GRI Appendix on www.fagerhultgroup.com

The materiality analysis conducted in 2015 identified and gathered the topics that are the most important for us to address and communicate on. It included an analysis of our business environment and benchmarking against competitors, together with workshops and a number of in-depth interviews with investors, owners, and customers. Thereafter, internal efforts were begun to prioritise topics and validate the selection through dialogues with our stakeholders. Finally, the topics were adopted by Fagerhult's Group management. Our assessment is that the topics that have been identified remain the most relevant for our sustainability effort.

In summary, the topics that are to be regarded as the most important for the Fagerhult Group to address and communicate on have been gathered into the following four areas: Climate-smart products and solutions, Safe products and working environments, Responsible enterprise and Responsible employer.

TOWARDS AGENDA 2030

The 17 Sustainable Development Goals (SDG) inform countries' commitments to establish a plan for the work that needs to be done by 2030 in order to achieve long-term sustainable development.

The SDGs that Fagerhult is considered to have the greatest opportunity to influence are SDGs 7, 11, 12 and 13. Onwards, the ambition is also to link the SDGs to existing targets and activities within Fagerhult.

FAGERHULT'S CORE STAKEHOLDERS AND MATERIAL TOPICS

1 **Climate-smart products and solutions**
- › Lifecycle perspective in R&D
- › Sustainable products
- › Climate-smart solutions
- › Energy efficiency (products)
- › Carbon emissions from transportation

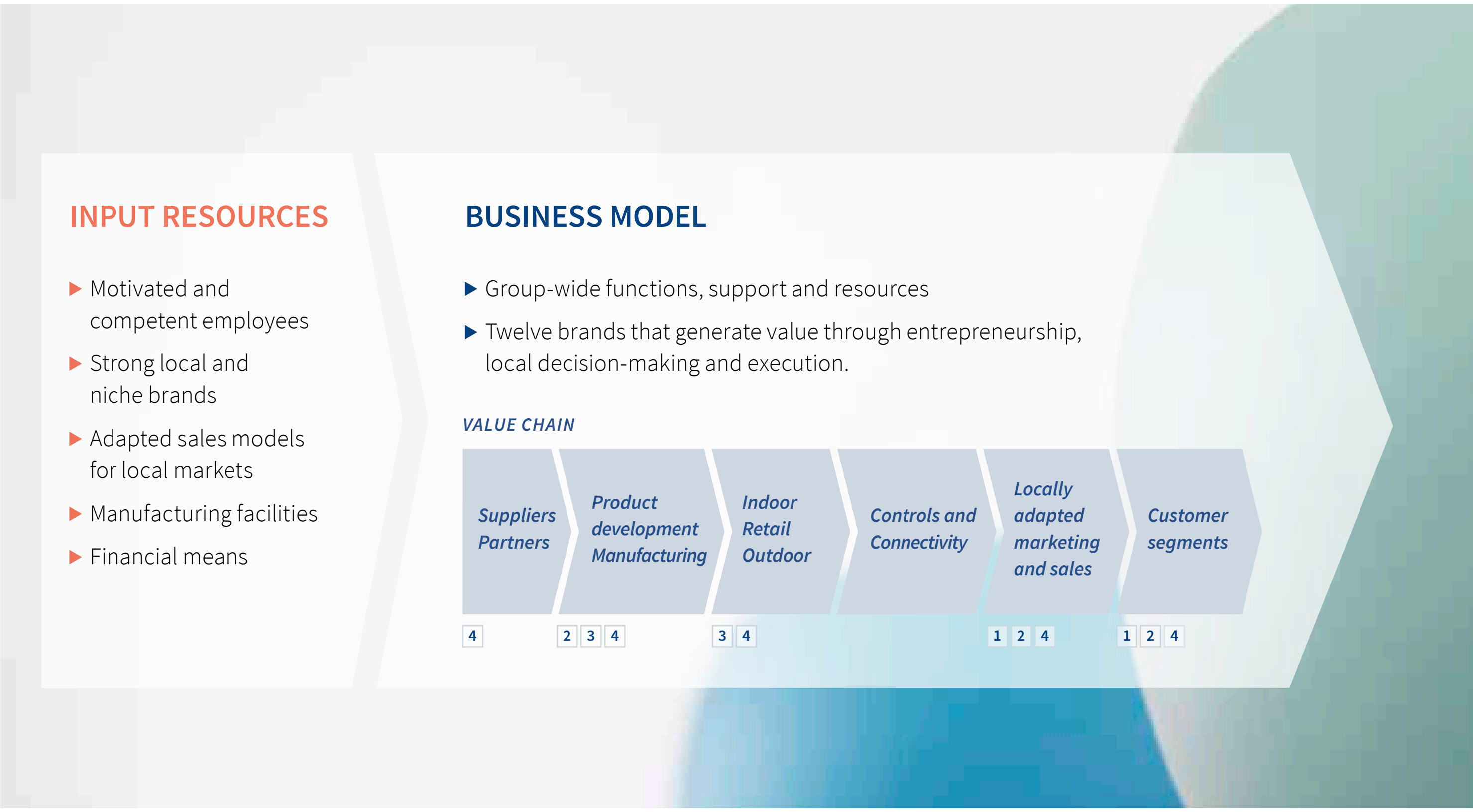
2 **Safe products and working environments**
- › Occupational health and safety
- › Health and well-being/safety (products)
- › Product responsibility/safe products

3 **Responsible employer**
- › Career development/training
- › Work conditions
- › Equality and diversity
- › Anti-corruption

4 **Responsible enterprise**
- › Business ethics
- › Choice of materials
- › Collaboration in the value chain
- › Societal commitment (new markets)
- › Internal energy savings
- › Systematic internal environmental work
- › Supplier reviews
- › Due diligence process (third party)
- › Human rights
- › Anti-corruption

A Value Creation Business Model

Fagerhult's value creation model, illustrated with the help of the input resources required for driving operations together with the decentralised business model that significantly contributes to the amount of value created for the stakeholders.



The business model – an illustration of the value chain

The sections of the business model also illustrate the Group's value chain — from the purchase of input materials from suppliers to manufacturing at Fagerhult's brands and out to delivery to customers and end users. To address both possibilities and risks along the value chain, the Fagerhult Group needs to allocate responsibilities and commitments as follows:

1 Climate-smart products and solutions

› to meet and exceed customer expectations in terms of quality, service and value creation.

› to realise business opportunities and energy savings brought about by energy-efficient LED technology.

2 Safe products and working environments

› to meet expectations in terms of quality, service and value creation.

› to ensure that all products and services adhere to accepted standards and are safe to use.

3 Responsible employer

› to ensure our employees' health, safety and rights and show environmental consideration.

› to ensure diversity, equal opportunity and human rights.

› to promote constructive dialogue and collaboration between Group companies.

OUTPUT VALUE

- Safer and more secure public places and outdoor environments.
- Energy efficiency that reduces both environmental impact and costs.
- Contributes to health and well-being in indoor environments, at the office and in healthcare.
- Creates good work and study environments by contributing to improved performance and concentration.
- Builds brands, influences buying behaviour, and drives sales in shops, hotels, restaurants and cafés.
- Generates employment in the local community, as well as salaries and benefits for employees.
- Offers skills development and innovation strength among employees and subcontractors.
- Financial value in the form of dividends to owners, taxes and reinvestments in the business.

4 Responsible enterprise

› that all companies conduct business according to current laws and regulations.
› that the Code of Conduct forms the basis for everything we do and how we act.
› that due diligence is conducted for every company acquisition.

The negative effects of our operations along the value chain consist mainly of:

› Indirect CO_2 emissions from the transportation of purchased input materials to plants.
› The indirect effect of emissions from the energy mix purchased for manufacturing and premises.
› Indirect CO_2 emissions from purchased transportation from plants out to the customer.
› Direct CO_2 emissions from service journeys, for example between plants or for purchases from suppliers and delivery to customers.

A development in technology that creates sustainable values

OBJECTIVES IN CLIMATE-SMART PRODUCTS AND SOLUTIONS:

- to meet and exceed customer expectations in terms of quality, service and value creation.
- to realise business opportunities and energy savings brought about by energy-efficient LED technology.

100 PER CENT LED A REALITY

The LED share of Fagerhult's net sales is currently stable at over 97 per cent, and in some markets we are nearing 100 per cent. In many ways, today's LED market can be described as mature — efficiency is being maintained and fine-tuned further, while costs and prices are stabilising at lower levels. In other words, we can declare the technology shift to LED complete; our work is now focused on continued technological development to increase the value and application sectors that the technology enables.

LED TECHNOLOGY DEVELOPMENT CONTINUES...

Fagerhult's ability to deliver increased LED sales is an effect of the continuous investments in product development, manufacturing and marketing of LED luminaires in the companies. Demand is primarily driven by new builds and renovations together with the need to change existing lighting to LED.

LED technology's main strength is its long lifespan, low power consumption and low heat generation. A large part of the development in recent years has focused on the possibility to create more energy-efficient diodes with a maintained effect and to develop the Constant Light Output (CLO) technology[1]. The latter means that the right light can be ensured throughout the luminaire's entire lifespan. The luminaire is equipped with a driver that compensates for the decrease in light over time, which mitigates the overinstallation of lighting that was previously necessary. Alongside enabling further energy conservation, technology also has the ability to create even lighting in a space. CLO is now a part of even more product families in the Group's companies, for example LTS has, with the help of efficient linear LED modules, developed luminaires that reduce energy use by 20 per cent with lumens retained[2].

...INCREASINGLY OFTEN IN COMBINATION WITH SMART CONTROL SYSTEMS

When LED technology is combined with smart control systems, even more value can be generated. The luminaire is equipped with sensors or processors to signal a need for maintenance or to collect specific information. The technology is already applied today for daylight and proximity sensor-controlled lighting that automatically regulates lighting according to the time of day and presence in a space or in an outdoor environment.

A good example of the development opportunities when these two technologies are combined is the Fagerhult brand light control system e-Sense Motion, which can be programmed according to light need in environments like illuminated trails, bike paths and parks. With the help of motion sensing, a determined number of luminaires can be adjusted to a pre-determined level of light. They brighten ahead of a moving person and remain illuminated for a pre-set time period after the person has passed, providing a sense of security[3]. During 2018, this solution was complemented with functions that register faults as well as information on energy use in installed luminaires via the internet and that can remotely control the light installation. This indirectly contributes to more efficient maintenance work, as maintenance no longer requires driving throughout an entire city network — instead, it can be directed to a specific luminaire based on automatically generated information. Internet-connected luminaires also contribute valuable information within Retail. For example, about how customers move within the store space, where they stand and where they decide to just pass by. This provides input about how décor and signs can be changed and moved to maximise sales.

Operations with a primarily indirect environmental impact

Fagerhult has two primary indirect impacts on the environment: emissions from the transportation of input materials to plants and transportation of products out to customers, and the energy used at plants and for other activities.

All transportation is carried out by external carriers. When the Swedish section of the Group procures transportation, the purchase is coordinated centrally. In the procurement, questions are asked regarding observance of laws and rules, environmental policy, and vehicle and fuel type. In the latest summation from 2017 the responses shows that the percentage of transportation carried out by vehicles with the lowest environmental class, Euro 5, is 72 per cent for the transportation in question. Our ambition is to carry out a new evaluation with focus on environmentally classified vehicles during 2019.

Generally, monitoring and measuring emissions in order to calculate indirect emissions remains challenging, as available data from the carriers is insufficient. The Swedish companies' joint pilot project during 2017, which gathered emissions information from a majority of carriers, showed large variations in quality. As a result, the only emissions we could monitor in 2018 were from vehicles that we owned or leased, which are intended for transporting people, and for business trips by plane.

Dialogue with the carriers is ongoing, and there is consensus that there is room for improvement, not least in terms of data quality. As part of finding new ways to reduce the operations' indirect emissions, a new initiative was taken during the year to move certain shipments from air to rail, primarily between Suzhou in China and Habo in Sweden, with the aim of finding a favourable balance between lead times, costs and lower environmental impact from freight. In 2018, this resulted in around 1,800 m^3 of goods being shipped by rail between the two destinations.

Energy efficiency and the best possible energy mix make tools

The task of making production more energy efficient is continuously in progress in all the companies, while simultaneously increasing the share of renewable energy. In accordance with the Act on Energy Audits in Large Companies, a detailed audit was conducted of energy use at the Swedish plants. In the future, an effort will be made to prioritise energy-saving investments that lead to the largest benefits, for example regulating ventilation to save energy.

As the range of renewable energy increases, the Group will endeavour to gradually attain CO_2-neutral production. One challenge on the way lies in handling the energy mix that is available in each country in the best possible way. For example, all plants in Sweden use renewable hydroelectric power that has a guarantee of origin[4]. Green electricity accounts for almost half of the energy used at plants in the UK and Germany. In China and Australia, the range of renewable energy sources is markedly worse.

LUMINAIRES' ENVIRONMENTAL IMPACT DURING THEIR WORKING LIFE

Fagerhult aims to limit the environmental impact of its luminaires throughout their life cycle, from development, manufacturing and use to recycling. The LED provides the most significant value in the user stage, through reduced energy use. Data sheets about the luminaire's environmental impact are produced depending on the local market's requirements and regulations. Environmental data sheets produced for the majority of luminaires manufactured by Swedish companies show that the selected materials meet the requirements indicated in BASTA, Byggvarubedömningen, and SundaHus.

To share knowledge about the luminaire's environmental impact during its life cycle, Fagerhults Belysning conducted life cycle analyses for three product families: Notor 65, Multilume Slim and Evolume 2. A summary of these analyses shows that the products' environmental impact arises primarily from the energy consumption in the user phase and, to a lesser extent, comprises the metals and electronics that form part of the luminaires.

In terms of recycling the Swedish operations are affiliated with El-kretsen and FTI and thus are part of the national collection system for WEEE.

1. In a luminaire with CLO, the light that remains after a given working life is indicated as L100. Under the EN 62717 standard, the expected working life of an LED luminaire with L and B ratings is reported, followed by a fixed period of time indicated in hours. The L rating describes how much luminous flux (in percentage of the new value) is expected to be generated after this period of time. The B value shows the percentage of expected shortfall during the same period of time. Examples: L90 B10 50 000h = after 50,000 hours, the luminaire produces a luminous flux equivalent to 90 per cent of the new value, with the risk that 10 per cent of the LEDs produce a lower luminous flux.
2. The luminous flux that the LED lamp emits is expressed in lumens (lm).
3. The solution enables energy savings of up to 50 per cent, according to KTH in 2015: Bromma Research Project.
4. According to Fagerhult's supplier www.bixia.se

A passion for light

OBJECTIVES FOR SAFE PRODUCTS AND WORKING ENVIRONMENTS:

- to meet expectations in terms of quality, service and value creation.
- to ensure that all products and services adhere to accepted standards and are safe to use.

LIGHT CONDITIONS SUITED FOR YOUR TASK

Tests and safety assessments are carried out in each company respectively on all luminaires according to applicable industry requirements. Since the regulations around safety testing in many areas are standardised, the same requirements apply regardless of country, generally speaking. TeknikCentrum, the well-equipped laboratory in Habo, Sweden, is an example of how safety inspections and approval of our own products takes place. Safety testing for luminaires from the Fagerhult brand and ateljé Lyktan takes electrical risks, mechanical risks, thermal risks, exposure to electromagnetic fields and photobiological safety into consideration. The last item means that the different wavelengths and energy are safeguarded so as to not injure human eyes.


The Energy Agency in Eskilstuna, Sweden.

Based on the risks mentioned above, luminaires are certified against harmonised standards that concern safety, normally EN 60598-1 and associated supplementary sections. Every manufactured luminaire also undergoes final testing in production according to set rules and procedures. The luminaires are also certified in line with the EMC, ErP and RoHS directives. Safety testing documentation conforms to the EU directives required for CE marking of luminaries. Another example can be taken from Eagle Lighting in Australia, where a special work group (the OHS Group) is tasked with conducting risk assessments at an early stage to take care of any safety risks with the luminaire.

LIGHT CHARACTER CREATED BY COLOUR TEMPERATURE

Our lighting needs can be viewed from several perspectives. Lighting not only plays a key role in creating safety and security, it can also have a major impact on our well-being. An office environment or lecture hall with correctly adapted lighting can help us both to perform and to feel better. Other occupational groups, such as health care personnel, need flexible work lighting that shines brightly without blinding either patient or doctor for examinations, treatments and surgery at all hours of the day.

Based on the latest research findings and in close collaboration with care providers and scientists, much is being done to design innovative lighting solutions for patients and staff. For example, light's colour temperatures can create warm light that has a soothing effect and helps us to relax, or cold light that energises and activates us. In concrete terms, this means customising lighting to follow our biological daily rhythm.

Actively working to ensure our responsibility

OBJECTIVES IN RESPONSIBLE ENTERPRISE:

- that all companies conduct business according to current laws and regulations.
- that the Code of Conduct forms the basis for everything we do and how we act.
- that due diligence is conducted for every company acquisition.

CLEAR GUIDELINES FOR ETHICAL AND SUSTAINABLE ACTION

The Fagerhult Group's Code of Conduct provides clear guidelines for responsible enterprise by summarising the Group's opinion about issues such as human rights, labour practices, business ethics and anti-corruption, in addition to environmental considerations. The Code is implemented by each company individually; everyone who works within Fagerhult, from the Board of Directors and Group management to individual companies' management and employees must act in accordance with it. An individual company is responsible for ensuring that the content of the Code is easily accessible for employees, for example via their intranet.

Group-wide internal training in the Code and anti-corruption policy is mandatory for all employees who work with purchasing and sales, and members of the management of the respective companies. The objective for 2019 is to introduce an updated online course containing films and dilemmas to help employees understand how the regulations apply in everyday work.

In total, 653 (840) managers and employees have gone through the online training, which is 78 (76) per cent of the above prioritised occupational categories. In general, in the event of new hires at the companies, the immediate supervisor is responsible for ensuring that the employee is acquainted with the Code of Conduct.

INDIVIDUAL INITIATIVES STRENGTHEN APPLICATION OF THE CODE

A number of individual initiatives have also been taken in operations to strengthen the Code's guidelines even further. For example, WE-EF and Whitecroft Lighting have complemented the Code with their own handbooks for employees as additional guidance for the applicable regulations and policies. Throughout the year, Arlight has conducted workshops focused on the Code's content to ensure that all employees have understood its meaning and use.

DECENTRALISED RESPONSIBILITY FOR THE SUPPLY CHAIN

Altogether, the companies of the Fagerhult Group have a broad supplier base of over 1,000 suppliers, which to a varying extent deliver everything from input materials and transportation to consulting and other services. Input materials mainly consist of electronic components, metal and plastic for the manufacturing of luminaires. Efforts to identify and monitor input materials must therefore be ongoing, not least in light of shifting legal demands and the forthcoming new substances and components brought about by a shift in technology.

The synergies created by the size of the Group exist mainly with regard to the purchase of diodes and standard electronic components. In some cases, moulded aluminium details can also be relevant for shared purchases. Generally, joint procurements occur via the Group's joint forum.

AN IMPORTANT DIALOGUE FOR A RESPONSIBLE SUPPLY CHAIN

Each of the Group's companies owns and is responsible for its own supply chain. Regardless of number, which varies significantly among the companies from three to four people to hundreds, the procurement function acquires knowledge of and ensures that the contracted supplier lives up to the international guidelines for human rights, freedom of association, right to collective agreements, anti-corruption, environmental impact and efforts to combat child and forced labour. The general

Verdi Aitio Business Park in Helsinki, Finland.

assessment is that risk exposure for the Group's purchases are low since a large portion of the procurement is done with well-established global companies with quality-assured supply chains. Otherwise purchases are made from suppliers within the company's near environment, which provides good opportunities to perform supplier assessments in the form of dialogues and workplace visits. The purchases of assembled electronics components containing earth metals, albeit in small quantities, are purchased from well-established global companies. The Group has very limited insight into their extraction.

A SUMMARY OF THE YEAR'S ACTIVITIES

In 2018, supplier assessments were performed by Designplan, which performed ten supplier assessments (of which two were new suppliers), and by Eagle Lighting, which assessed a total of 22 suppliers. Whitecroft Lighting performed around 160 assessments of its suppliers using questionnaires that were updated throughout the year with statements on the UK Modern Slavery Act (UKMSA). Fagerhult's Chinese plant always performs a thorough review of the Code of Conduct (translated to Chinese) when signing new suppliers.

The minimum requirements for suppliers to the Swedish companies are that they agree to follow the Code. Suppliers are reviewed annually to assess their adherence to Reach and RoHS, and any suppliers who are remiss in this are frozen for continued purchases until further notice. Last year, Fagerhults Belysning implemented a version of the Code adapted to their supply chains. Our suppliers are encouraged to confirm in writing that they have read the contents and that they commit to adhering to the Code. The objective is for all suppliers to sign and that by the end of 2018 the number of Fagerhults Belysning's suppliers that have signed the Code will represent a purchase value of over 90 per cent of total purchases. For the last few years, the objective among the Swedish companies has also been to allow the suppliers to perform self-assessments, known as a Supplier Questionnaire. The questionnaire contains questions about the supplier's financial status, quality agenda, environmental considerations, societal responsibility and any certifications. The answers are reviewed by responsible category leaders and the supplier for approval. The objective is for every new supplier to perform a self-assessment prior to starting the collaboration, and that the questions are posed to existing suppliers on a five-year basis. At the end of 2018, 13 of the suppliers for Swedish companies had performed the self-assessment, of which four were new suppliers. In total, 489 new suppliers joined Fagerhult Group in 2018. Of these, 61 suppliers, corresponding to 12.5 percent, were screened using environmental criteria.

CHALLENGES FOR GLOBAL OPERATIONS

All Fagerhult employees are to enjoy freedom of association and the right to collective agreements. No corruption, risk of overtime work beyond that prescribed by law, child labour or forced labour may occur. In other words, there is zero tolerance surrounding these issues, also established in the Group's Code of Conduct, which applies in full alongside other policies. In cases where, for example, the risk of corruption exists, no business transactions will be entered into and no agreements signed.

Some of the Group's operations are conducted in countries with varying levels of risk exposure regarding corruption, freedom of association, the right to collective agreements, overtime work, child labour and forced labour, and political risks. Countries where Fagerhult conducts operations and that are assessed as having the largest risk exposure in these issues include South Africa, China, Russia, the United Arab Emirates and Turkey.

> "During the year, the DD- process has been further refined to better secure an acquisition candidate's business-critical functions and competence."

A SUMMARY OF COMMITMENTS IN CHALLENGING COUNTRIES

Operations in China are conducted in Suzhou Industrial Park. The Group judges that working conditions correspond to an operation on par with the West. The China operations have a Swedish site manager who monitors whether the working conditions are consistent with Fagerhult's agreements, values, and other commitments. Working hours and other conditions follow the directives of the industrial park. Furthermore, operations must comply with the local government authorities' requirements to comply with local laws and regulations governing forced labour and human rights. The Group's Code of Conduct has been translated into Chinese, and all employees — current and new — are introduced to its contents. As a way of reducing personal dependence and thus exposure to corruption, there is continual job rotation among vulnerable positions.

The Group's presence in the United Arab Emirates comprises a small sales company under the control of a Regional Director, who is a member of Group management and in charge of ensuring compliance with policies and regulations.

The Russian operations comprise sales offices in St. Petersburg and Moscow and are under the control of the Regional Director who is a member of Group management. As a matter of routine, employees sign a statement that they have studied the Code of Conduct.

The South African market is considered a high-risk market when it comes to exposure to corruption. Our Code of Conduct has clear guidelines about Fagerhult's zero-tolerance policy regarding corruption. To ensure that the Code is followed and that any risk exposure is met with relevant measures, there is close collaboration between the Group management and Lighting Innovation's management.

A political risk — and thus a business risk — has developed around operations in Turkey in the years following the acquisition of Arlight. The Board of Directors and Group management believe that close and continual contact with company management is therefore of the greatest importance in order to monitor this development and ensure that it is met with relevant measures.

THE DD PROCESS IS BEING FURTHER REFINED WITH A FOCUS ON HR

Upon acquisition of companies, Group management always initiates a due diligence process (DD) — an inspection of the company. To an extent, the inspection is adapted based on each suitable candidate for acquisition, with the possibility of broadening the analysis and adding questions, for example depending on the type of operation or the countries in which operations are conducted or there is a presence. During the year, the DD process has been further refined to better secure an acquisition candidate's business-critical functions and competence. A clear analysis structure guides the effort to assess the directors' competence and experience together with an analysis of the risks associated with succession management. In addition, the acquisition candidate's Code of Conduct is scrutinized to get an image of how it is applied during operations, as well as how well developed the management's cooperation is with trade union organisations.

An overall description of the company's inspection process and contents can be performed in a number of steps:

1 An exploration of the acquisition in question, to get an image of how it can supplement the Group and contribute to the growth of business. This takes place in the form of a review of the operations' size, profitability, geographic location/global distribution, and product and technical areas. The business climate in the country or region is also evaluated at this stage, which for example includes political risks and risks of corruption. Historically, this has led to the Group taking decisions to terminate acquisition intentions.

2 Contacts are established and relations are built between Fagerhult Group management and the management of the candidate for acquisition through meetings and site visits. With the decentralised organisation the Group is built on, fundamental trust in the person(s) who will lead the company in a potential acquisition is completely crucial for continuing the DD process.

3 An "indicative bid" is submitted to the company. This is a non-binding agreement on acquisition, which generates exclusivity in the event of continued negotiation.

4 In parallel, the actual company inspection is put into motion. External resources/expertise are now involved in order to produce documentation for information and data collection, which the candidate for acquisition is given a number of months to compile.

5 The data and information collected is categorised and analysed as follows:
- Financial inspection.
- Legal and tax inspection.
- CSR inspection that, alongside the environmental topics of the operations, includes labour conditions, health and safety, freedom of association, and human rights.
- Commercial inspection that contains topics such as a macro assessment of the general economic conditions in the country as basis for an evaluation of opportunities for growth. The competitiveness of the operations, given the product area and market position in relation to the field of competitors, is additionally analysed.
- Human Relations inspection focusing on an analysis of the organisation, the management's and existing employees' skills and functions, succession planning and so on.

In the end of 2018, the DD process was initiated pursuant to the above steps for the Italian company iGuzzini, who designs, manufactures and markets indoor and outdoor lighting solutions.

A work place where the local and the global are intertwined

OBJECTIVES IN RESPONSIBLE EMPLOYER:

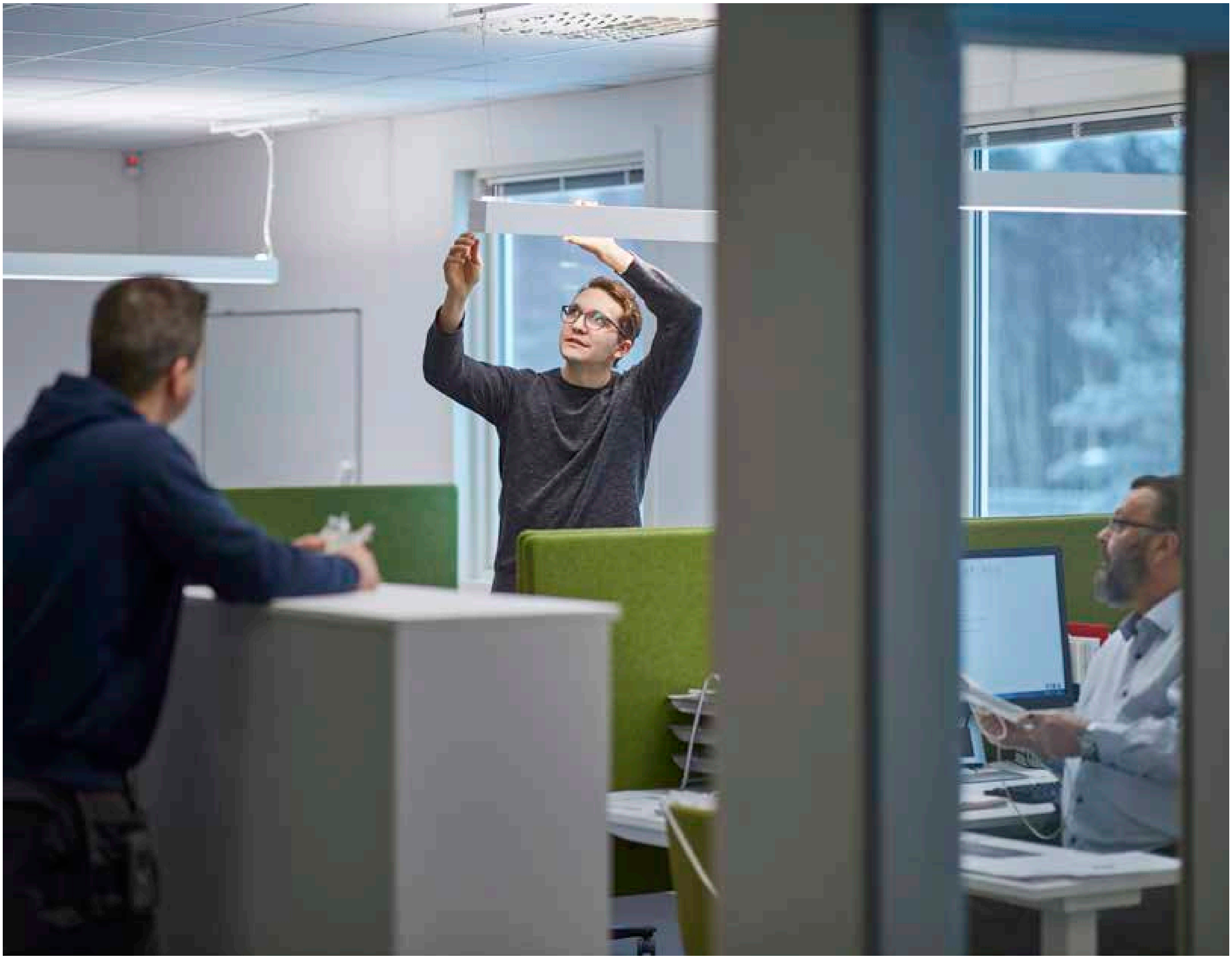
- to ensure our employees' health, safety and rights and show environmental consideration.
- to ensure diversity, equal opportunity and human rights.
- to endeavour to have a constructive dialogue and collaboration between Group companies.

UNDERLYING UNITING VALUES

Striving for workplaces characterised by participation, commitment and well-being is a key success factor for giving every employee good preconditions to develop. Our core values, which should be present in all processes and daily routines, unite and guide all employees and are an integral part of all processes and daily work. With the year's acquisition of Veko Lightsystems International B.V, domiciled in Schagen, the Netherlands, the Group increased by a further 134 employees. That makes the number of employees at year end a total of 3,384 individuals.

DIVERSITY, EQUAL OPPORTUNITY AND EQUAL CONDITIONS ARE ALWAYS IN FOCUS

The Group's Code of Conduct has established that everybody, irrespective of gender, age, religion, sexual orientation, or ethnic background, is to be given the same opportunities for development and advancement as well as equal pay for equal work. This is also reflected in the obvious fact that it is the nature of the work, performance



and competence that influence an individual's pay, regardless of gender, age or ethnic background.

Appreciating people's differences and various skills is self-evident in achieving increased diversity and better gender parity. Something that in turn is an important contribution to creating a more innovative company culture. Recruitment and assembling work teams are good occasions for strengthening both diversity and gender parity. Even if competence is always the primary organising factor, the objective is to have at least one female candidate in cases where women are under-represented, for example.

Work against discrimination and for equal conditions has become more intense in the wake of #metoo. The Swedish operation, for example, has enacted a new policy against discriminatory treatment, which is complemented by a training packet that will be rolled out in 2019, in the form of workshops with questions to prompt discussion and reflection.

MANY WAYS TO SECURE THE SKILLS SUPPLY

Employees are Fagerhult's most important resource. Efforts to secure a supply of competence begin with ensuring that every company lays the foundation for good internal circumstances and inclusive operations, including good chances for development and attractive career paths, locally as well as globally.

With a Group-wide perspective regarding the need for competence and experience, today and in the future, a talent review of employees at all companies is performed every other year. The next review will be in spring of 2019, and an important part of it will be to future-proof operations by identifying existing competences and ones that we will need more of in the future. This way, directed measures can be taken to minimise any gaps.

The skill supply challenge must also be met through a long-term effort to attract more young talent to the lighting industry by attending labour markets and job fairs, and conducting continual dialogues with students at universities and colleges. For example, the Fagerhult brand has entered into strategic agreements with Jönköping University for a knowledge exchange regarding the direction of course programs and thesis projects that meet the industry's needs.

The Bright Prospects trainee programme is an essential part of the Fagerhult Group's skill supply and a way to bring young talent to the Group. A third round of the programme started in the autumn of 2018, with Fagerhults Belysning, ateljé Lyktan, LTS and LED Linear taking on four trainees. The programme lasts for 18 months and includes three project periods of six months at one of the Group's companies, alternating with shorter periods for basic knowledge training. After a completed trainee period, all participants are offered a position in one of the Group's companies. The second round of the programme will be running parallel to this, and will conclude in the spring of 2019. In addition, local trainee programmes are regularly carried out at Fagerhult's operations in Dubai, Designplan, and Whitecroft Lighting, and the German companies LTS and LED Linear offer an apprenticeship programme.

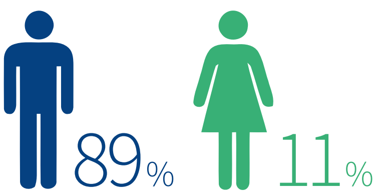
Given that the majority of companies within the group have their operations outside major cities, we also need to work with what we call Sustainable Talent Development — becoming better at identifying and training existing employees across all levels of the group, and training internal individuals who have the right drive, motivation and social competence, so that we can reduce our dependence on external recruiting for skills growth. A few good examples are given on page 43.

SUSTAINABLE COLLABORATION AND GOOD LEADERSHIP GO TOGETHER

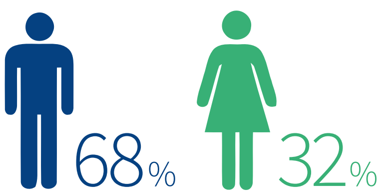
The Fagerhult Group's leadership model is to provide guidance and governance for all managers in the Group. At the Group level, the Bright Leaders leadership programme, specifically designed for our decentralised business model and focused on developing leadership and cooperation, has been running for several years. It is also an important tool for the inter-company integration handled by the people who run the day-to-day operations. In total, some 50 of the Group's mangers have completed the programme and the objective is for a new round to finish in 2019.

Uche Nwankwo, one of our young talents in the Bright Prospects trainee program.

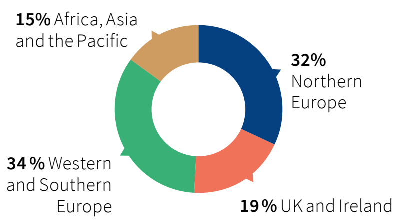
MEMBERS OF THE BOARD AND SENIOR MANAGEMENT BY GENDER



EMPLOYEES BY GENDER



PERCENTAGE OF EMPLOYEES PER GEOGRAPHICAL MARKET



“Recruitment and assembling work teams are good occasions for strengthening both diversity and gender parity.”

Employee competence is developed primarily through a number of directed training activities around the companies. One example is the Swedish operation’s leadership programme, Chefsettan. The goal of the 18-month programme is to build stronger, more secure leadership, and to increase collaboration and networking among the companies.

IMPORTANT DIALOGUE WITH EMPLOYEES

The Group management’s recommendation is that all employees should have at least one development dialogue with their immediate supervisor every year. Variation between companies is comparatively large, and during 2018 52 (55) per cent of the Group’s employees engaged in some kind of development dialogue. There is an established uniform approach for the Swedish companies regarding the content, conduct and purpose of development dialogues, where an important part includes clarifying the link between performance and salary. For example, at LTS, I-Valo, WE-EF and Fagerhult’s operations in Russia, at least one annual performance review is conducted per year, focused on performance and personal development. This year at Eagle Lighting, the formal dialogue has been replaced with a number of less formal meetings, “Check-Ins.” With at least four meetings per year, these meetings should be used to reconcile individual performance to the stated goals and evaluate the need for further support to reach these goals.

Different forms of employee surveys are conducted around the Group. For example, the employee survey FOCUS is carried out every other year at the Swedish companies to measure employee engagement, well-being and leadership. In the survey, that was conducted for the first time in 2017, the need to develop leadership and improve feedback culture was noted, which led to continued work with developing inclusive work environments with engaged and motivated employees.

SUSTAINABLE TALENT DEVELOPMENT

An internal journey everyone benefits from

The strong entrepreneurial spirit that characterises our Group companies' corporate culture is also reflected in our work with developing our people and their skills. Here as well, it is a matter of innovative thinking and identifying new ways to capture and develop all the talent already present within our existing organisations. The internal journey for three of our employees in Lighting Innovations is a shining example of just that.

Entrepreneurship is distinguished by creativity, the power of initiative, and the desire to experiment alongside a clear idea of what one wants to achieve. Making this idea a reality requires not just the ability to recruit the right skills but also to see the opportunities in allowing employees already in the organization to grow and take on more responsibility.

The common denominator for Thandeka, Tenielle and Zanele is that all three of them were given the opportunity to make the move from the shop floor, or purely administrative assignments, to more advanced roles at Lighting Innovations.

– In addition to working in a niche industry, the companies' geographical locations are often outside the major metropolitan regions. This means we have to think in terms of sustainable talent development and be particularly good at identifying, utilising and investing in existing employees who show a desire and potential to grow and develop their talents with us, says Jenny Evelius, Fagerhult Group HR Director.

Tenielle, Zanele and Thandeka have been working for several years at Lighting Innovations in Port Elizabeth, South Africa. Their common denominator is that all three of them were given the opportunity to make the move from the shop floor, or purely administrative assignments, to more advanced roles in the company.

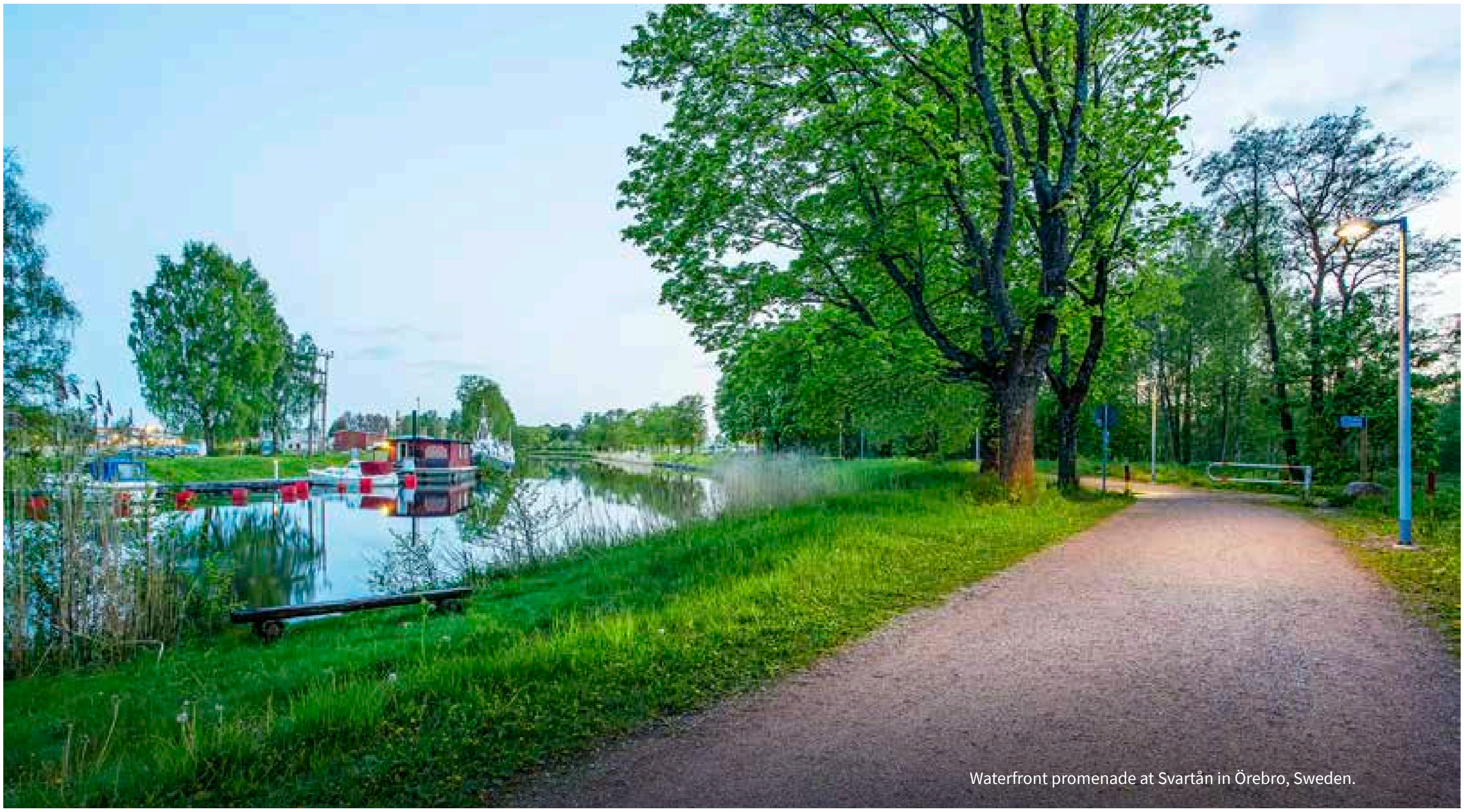
– Above all, it's a matter of trying to do the best job possible every day. Getting a positive response from management when I displayed some curiosity and showed that I wanted to learn more meant that I didn't hesitate when the opportunity for new challenges turned up, says Tenielle, who has been with Lighting Innovations since 2013 and currently works in purchasing.

Zanele, who went from temporary employment to a permanent job in Lighting Innovations, says that experiences from other parts of the operation are a positive factor and that they have strengthened her in her current responsibilities as Stock Administrator. These are experiences that will be of great benefit now, especially since they provide a better understanding of how the entire production chain is connected.

– I gained a large part of my skills development through my daily work, in pace with increasingly advanced work tasks. Learning by doing is important, but looking forward I think it would be a good investment of time for both the company and myself to supplement it with external training that will help me take the next step and make my work even better.

Thandeka, who has been with Lighting Innovations since 2013 and currently works as a Photometric Tester, agrees, adding:

– Both parties have to dare to invest. As an employee, I have to work hard every day to enhance my skills. My employer has to ensure that the conditions are right for me to manage the day's tasks, as well as offer the opportunity to prepare myself for future challenges. Over the short term, it will cost both time and money, but in the long run the company will gain skilled and committed employees who make the company even more competitive: a win-win situation!



Management of Fagerhult Group's Sustainability efforts

The Fagerhult Group's global presence and decentralised organisation require that the Group, the companies, and our employees take responsibility for the impact of our operations on the environment, people and society. A core component of the Fagerhult Group's strategy is that each company is given substantial autonomy and scope to address their impact alongside their own strong power to make decisions. Our common corporate culture rests on the core values of Customer Focus, Performance Culture and Innovative Mindset, and is well-rooted in all of the companies.

In this light, Fagerhult has chosen to express objectives, instead of quantifiable goals, for the four focus areas that comprise the most pressing sustainability issues for our operations, and thus all our companies.

SUSTAINABILITY GOVERNANCE AND RESPONSIBILITY — THE GROUP

The overall strategic direction for Fagerhult's work with sustainability is determined by Group management. The Group's CEO has ultimate responsibility for sustainability issues. Governance is based on all parts of the Group following the respective country's laws and regulations, such as competition rules, environmental legislation, labour laws and collective agreements that impact our operations. Fagerhult respects international conventions on human rights, which act as guiding instruments for all our own operations. All employees have the right to choose whether they wish to be represented by a trade union. A total of 35 (34) per cent of the Group's companies have collective agreements. Child labour, or labour performed through coercion or threat of violence, will not be tolerated under any circumstances. In all contexts, zero tolerance applies to all cases of bribery and corruption.

SUSTAINABILITY GOVERNANCE AND RESPONSIBILITY — THE COMPANIES

In the same manner, the CEOs at respective companies have the ultimate responsibility for implementing the Group's regulations and guidelines at the local level and for abiding by the relevant national laws and regulations as well as competition rules, environmental legislation, labour laws and collective agreements. Each of the Group's companies owns and is responsible for its own supply chain. Input materials mainly consist of electronic components, metal and plastic for the manufacturing of luminaires. Efforts to identify and monitor input materials must therefore be ongoing, not least in light of shifting legal demands and the forthcoming new substances and components brought on by a shift in technology. Respective companies are also responsible for providing a safe and healthy workplace and working environment, along with a proactive effort to ensure an acceptable level of employee turnover and work-related illnesses. They are also responsible for ensuring ongoing competence development, primarily in the form of training activities that are based on local and individual needs.

CODE OF CONDUCT AS GOVERNANCE INSTRUMENT

The Fagerhult Group's Code of Conduct applies across the Group and to all employees. The Code of Conduct states the Group's views on human rights, labour conditions, diversity and equal opportunities as well as environmental responsibility. Managers within the company are responsible for communicating the content and importance of the Code of Conduct to their own part of the organisation, and for ensuring that business partners are also aware of it.

For several years, Fagerhult Belysning has used a supplier version of the Code to clarify the central parts of the Code of Conduct and expectations concerning suppliers' compliance with laws and regulations.

The Group's whistleblower function enables employees and others to anonymously report any incidents or actions in breach of our Code of Conduct. In 2018, no incidents related to sustainability or ethics were submitted. The Fagerhult Group's general approach in terms of the Precautionary approach is described in the Code of Conduct and the anti-corruption policy; see www.fagerhultgroup.com.

CLEAR SOCIETAL AND ENVIRONMENTAL GUIDELINES

Equal opportunities and treatment apply for all of the Group's employees irrespective of gender, marital status, sexual orientation, ethnic or national background, etc. Diversity is encouraged at all levels in the Group.

The companies also supplement the Group's overall umbrella of the Code of Conduct, the anti-corruption policy, and the environmental policy with more of their own policies. Examples are the drug and alcohol policy, the policy for a safe and healthy workplace, the discrimination policy, and the recycling policy.

The environmental efforts of the Fagerhult group must in all aspects seek to meet or exceed the requirements in applicable legislation. An overall ambition of the environmental policy (see www.fagerhultgroup.com) is to limit the environmental impact of the luminaire during its working life — from development, manufacture and use to recycling. The environmental management system constitutes a key tool.

MEMBERSHIP IN ASSOCIATIONS

International
- International Commission on Illumination (CIE).
- Federation of National Manufacturers Associations for Luminaires and Electrotechnical Components (CELMA). 18 national industry associations from 12 EU countries.
- Swedish Standards Institute (SIS).

National
- Belysningsbranschen (Swedish trade association).
- Sustainable Innovation AB (SUST).
- The Swedish Chemicals Group at Swerea IVF.
- Nätverket för miljöanpassad produktutveckling (Swerea IVF) (network for environmentally adapted development).
- SEK Svensk Elstandard (organisation for standardisation in the field of electricity), TK 34 Ljusarmatur med tillbehör (luminaries and accessories).

PRODUCTION UNITS UNDER CERTIFICATION

	ISO 9001	ISO 14001	OHSAS 18001:2007
Åhus Production	X	X	
Fagerhult Habo	X	X	
Eagle Lighting (Australia)	X	X	X
Designplan (Sutton)	X	X	
LTS			
Suzhou (China)	X	X	
Whitecroft (Manchester)	X	X	
I-Valo (Finland)	X	X	
Arlight	X	X	X
South Afrika			
LED Linear	X		
VEKO	X	X	
WE-EF (Germany)	X		
WE-EF (Thailand)	X		

AB Fagerhult's sustainability report in accordance with the Swedish Annual Accounts Act

Fagerhult's sustainability report is submitted in the form of a Sustainability Report prepared pursuant to the GRI Standards framework. Reports regarding the Fagerhult Group's most important areas of sustainability, business model, policies and performance indicators can be found on pages 26–45; the GRI Appendix at www.fagerhultgroup.com and in note 36 /risk/ on pages 102–104.

The Board of Directors estimates that the sustainability information is sufficient to obtain an understanding of the Group's development, position, and earnings, as well as the consequences of its operations. The Sustainability Report indicates that stakeholder engagement is a central part of the work on defining materiality from a sustainability perspective. A materiality analysis weighs the topics relevant to the Group, given the companies' operations: the impact the operations have as regards the economy, society, people and the environment; and the topics that influence the stakeholders' decision-making and their expectations. This includes the environment, societal conditions, personnel, respect for human rights and counteracting corruption as well as the Group's business model, the risks that can be linked to the areas, the allocation of responsibilities, and policies/guidelines for governing important areas of sustainability as well as central performance indicators of relevance to the operations.

Independent Auditor's Limited Assurance Report on AB Fagerhult's Sustainability Report and Opinion on the Statutory Sustainability Report

This is a translation of the original report in Swedish

To AB Fagerhult, org.nr 556110-6203

Introduction

We have been engaged by the Group Management of AB Fagerhult to undertake a limited assurance of AB Fagerhult's Sustainability Report for the year 2018. The company has defined the scope of the sustainability report on page 26–45 in Fagerhult's Annual Report 2018 and the separate GRI appendix, which is published on the company's webpage. The statutory sustainability report is defined on page 46.

Responsibilities of the Board and Group Management for the Sustainability Report

The Board of Directors and Group Management are responsible for preparing the Sustainability Report, including the Statutory Sustainability Report, in accordance with applicable criteria and the Annual Accounts Act. The criteria are described on page 26 of the Sustainability Report, and consist of the parts of the framework for sustainability reports published by GRI (Global Reporting Initiative) that are applicable to the sustainability report, as well as the accounting and calculation principles that AB Fagerhult has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the sustainability report based on o the limited assurance procedures we have performed and to provide an opinion on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have conducted our review regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to AB Fagerhult according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Group Management.

A statutory sustainability report has been prepared.

Jönköping, 15th of March 2019

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant

Isabelle Hammarström
Expert Member of FAR

The Fagerhult share

Fagerhult's share was listed in May 1997 and is traded on the Mid Cap list of the Nasdaq, Stockholm. Market capitalisation at year end totalled about SEK 9 billion.

Sales and trading

The share symbol is FAG and its ISIN code is SE0010048884. One trading lot corresponds to one share. In 2018, total turnover for the share on Nasdaq in Stockholm was 14.2 million shares, at a combined value of MSEK 1,188, which corresponded to approximately 100 per cent of share turnover. Average share turnover per trading day was about 56,828, representing a value of SEK 4,752,000. An average of approximately 175 trades were made per trading day.

Liquidity guarantee

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

Share price trend

At 31 December 2018, the closing price for Fagerhult's share was SEK 76.10 per share, corresponding to a market capitalisation of approximately SEK 8.8 billion. The price of the Fagerhult share declined 26 per cent in 2018. Over the same period, the Nasdaq Stockholm PI rose 8 per cent. The highest closing price of SEK 111.00 was noted on 13 April and the lowest on 12 December at SEK 67.70. The average share price for the year was SEK 86.

Total shareholder return for the Fagerhult share, defined as the price trend including reinvestment of the dividend of SEK 2.00, was –24 per cent.

Share capital

At year end, Fagerhult's share capital amounted to MSEK 65.5 (65.5), allocated over 115,650,000 shares with a quotient value of SEK 0.57 per share. All shares have equal voting rights and an equal participation in the company's earnings and capital. At the Annual General Meeting (AGM) on 23 April 2018, it was resolved that the company be permitted to buy back its own shares. This option was not exercised in 2018. In connection with the allocation of shares tied to the Group's share-savings plan (see Note 2), treasury shares were used. The number of treasury shares totalled 1,149,708 (1,157,778) after allocation and the number of shares outstanding was 114,500,292. The percentage of shares held as treasury shares was 1.0 per cent. The Board of Directors proposes that the AGM resolve to grant the Board the continued right to buy back the company's shares until the next General Meeting.

Ownership structure

At year end, Fagerhult had 5,774 (5,559) shareholders. The largest single shareholder was Investment AB Latour, in which the Douglas family are the main shareholders, with combined holdings of 48.3 per cent (48.8) of the share capital and votes in the company, based on the number of shares outstanding. The ten largest shareholders accounted for 84.6 per cent (84.1) of the share capital and voting rights of the shares outstanding.

The proportion held by shareholders outside of Sweden was 13.6 per cent (14.7).

Dividend

Over the long-term, Fagerhult intends to distribute 30–50 per cent of consolidated net profit. At this dividend level, the Board is of the opinion that there is sufficient cash flow to finance expected future investments.

The Board proposes to the AGM a dividend of SEK 2.00 (2.00) per share, representing a dividend yield of 2.6 per cent (2.0) based on the share price on 31 December 2018.

Extraordinary general meeting

The following was resolved at the Extraordinary General Meeting at AB Fagerhult (publ) ("Fagerhult" or "the Company") on 7 February 2019.

The meeting passed a resolution to amend Fagerhult's Articles of Association as they concern the company's share capital (Section 4 in the Articles of Association) and the number of shares in the company (Section 5 in the Articles of Association). The resolution entails that Section 4 of the Articles of Association now reads "The share capital shall be no less than SEK sixty-five million (65,000,000) and no more than SEK two hundred and sixty million (260,000,000)," while Section 5 in the Articles of Association now reads "The number of shares shall be no less than one hundred and ten million (110,000,000) and no more than four hundred and forty million (440,000,000)."

The meeting passed a resolution to authorise the Board to, on one or more occasions prior to the next AGM, resolve to approve a new issue of shares in Fagerhult to be issued as a part of the acquisition price of iGuzzini Illuminazione S.p.A. ("Non-cash issue"). The owners of iGuzzini Illuminazione S.p.A., Fimag S.p.A. and Tip-Pre IPO S.p.A., will alone be entitled to subscribe for the new shares in the Non-cash issue by transferring shares in iGuzzini Illuminazione S.p.A. to Fagerhult.

The meeting also passed a resolution to authorise the Board to, on one or more occasions, before the next AGM, resolve to approve a new issue of shares against cash payment with pre-emption rights for shareholders to raise approximately SEK 2.2 billion for Fagerhult, to replace credit facilities that were used by Fagerhult in the acquisition of iGuzzini Illuminazione S.p.A.

OWNERSHIP STRUCTURE (AT 31 DEC 2018)

Shareholder	No. of shares	Share capital and voting rights, %
Investment AB Latour	55,861,200	48.3
Lannebo Fonder	8,161,202	7.1
The Svensson family, foundation and company	7,885,199	6.8
FMR, Fidelity (US)	7,323,923	6.3
Swedbank Funds	5,651,121	4.9
Nordea Funds	3,440,831	3.0
JP Morgan	3,078,508	2.7
The Palmstierna family	3,018,600	2.6
Small business funds, Nordic (FI)	2,101,110	1.8
SEB Funds	1,374,444	1.2
Handelsbanken Funds	972,596	0.8
Spiltan Fonder	934,725	0.8
Other owners with more than 20,000 shares (112 owners)	7,852,812	6.8
Other owners with 10,001–20,000 shares (92 owners)	1,292,513	1.1
Other owners with 1,001–10,000 shares (1,450 owners)	4,254,662	3.7
Other owners with up to 1,000 shares (4,107 owners)	1,296,846	1.1
AB Fagerhult, treasury shares	1,149,708	1.0
Number of shares at year end	**115,650,000**	**100.0**

SHARE TURNOVER

Year	2014	2015	2016	2017	2018
Volume of shares traded, millions	6.9	5.7	5.6	9.1	14.2
Value of traded shares, MSEK	373	275	373	954	1,188
Average volume of shares traded/trading day	27,765	22,821	22,269	36,092	56,828
Average value per trading day, SEK thousand	1,505	1,098	1,474	3,803	4,752
Turnover rate, %	6.0	4.9	4.9	7.9	12.3
Highest price paid during the year, SEK	50.50	56.00	92.83	136.67	111.00[1]
Lowest price paid during the year, SEK	23.83	42.83	44.75	76.67	67.70[2]

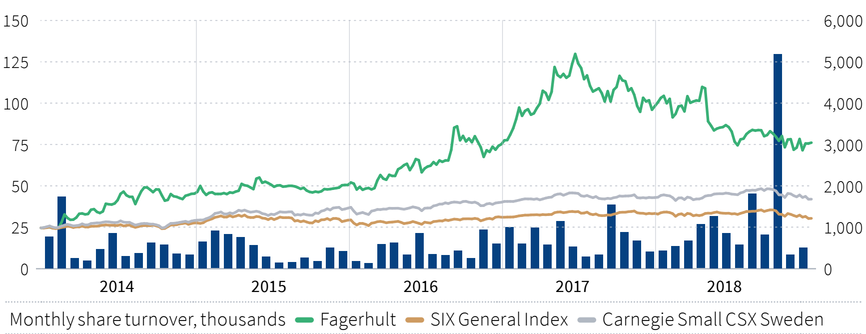
1) Paid 13 April 2018 2) Paid 12 December 2018

DATA PER SHARE

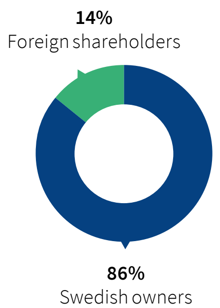
Year	2014	2015	2016	2017	2018
Earnings per share before dilution, SEK	2.30	2.54	3.35	4.32	4.39
Dividend per share, SEK	1.00	1.17	1.50	2.00	2.00[1]
Share price 31 Dec, SEK	46.00	52.50	77.83	100.50	76.10
Dividend yield, %	2.2	2.2	1.9	2.0	2.6
Equity per share, before dilution, SEK	11.71	12.66	12.66	16.51	18.60
Cash flow per share, before dilution, SEK[2]	3.44	3.91	3.91	5.96	3.30

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

FIVE-YEAR SHARE PRICE TREND



OWNERSHIP DISTRIBUTION



Five-year overview

Income Statements (MSEK)	2014	2015	2016	2017	2018
Net sales	3,736	3,909	4,491	5,170	5,621
Cost of goods sold	–2,524	–2,612	–2,917	–3,246	–3,474
Gross profit	**1,212**	**1,297**	**1,574**	**1,924**	**2,147**
Selling expenses	–636	–678	–783	–919	–1,036
Administrative expenses	–220	–246	–316	–385	–467
Other operating income	23	23	49	58	201
Other operating costs	–	–	–	–	–139
Operating profit	**379**	**396**	**524**	**678**	**706**
Financial income	2	5	17	15	10
Financial expenses	–33	–24	–26	–40	–49
Profit after net financial items	**348**	**377**	**515**	**653**	**667**
Balance-sheet items (MSEK)					
Intangible assets	1,448	1,466	2,069	2,709	3,160
Property, plant and equipment	387	392	448	686	703
Financial assets	26	35	34	54	52
Inventories	574	602	685	761	858
Trade receivables	676	678	761	838	925
Other current assets	68	94	86	99	115
Cash and cash equivalents	353	472	731	950	808
Total assets	**3,532**	**3,739**	**4,814**	**6,097**	**6,621**
Equity	1,329	1,437	1,627	1,890	2,129
Pension liabilities	66	66	68	90	93
Deferred tax liabilities	65	63	131	283	335
Other non-current interest-bearing liabilities	1,267	1,341	1,752	2,685	2,372
Other non-current non-interest-bearing liabilities	37	53	239	162	249
Current interest-bearing liabilities	60	1	133	5	416
Current non-interest-bearing liabilities	708	778	864	982	1,027
Total equity and liabilities	**3,532**	**3,739**	**4,814**	**6,097**	**6,621**
Key performance indicators and data per share					
Sales growth, %	20.7	4.6	14.9	15.1	8.7
Increase/decrease in operating profit, %	36.5	4.6	32.4	29.3	4.1
Increase/decrease in operating 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
Profit margin, %	9.3	9.6	11.5	12.6	11.9
Liquid ratio, %	46	61	73	96	56
Net debt/EBITDA	2.2	1.9	1.9	2.2	2.0
Equity/assets ratio, %	38	38	34	31	32
Capital employed, MSEK	2,723	2,846	3,581	4,670	5,010
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	937	1,222	1,830	2,073
Net investments in non-current assets, MSEK	110	118	169	177	123
Depreciation/amortisation of non-current assets, MSEK	95	107	121	158	320
Number of employees	2,370	2,451	2,787	3,241	3,384
Equity per share, SEK	11.71	12.65	14.30	16.51	18.60
Earnings per share, SEK	2.30	2.54	3.35	4.32	4.39
Dividend per share, SEK	1.00	1.17	1.50	2.00	2.00[1]
Cash flow per share, SEK[2]	3.44	3.91	3.41	5.96	3.30
Number of shares outstanding, thousands	113,508	113,589	113,818	114,492	114,500
Average number of shares outstanding, thousands	113,508	113,589	113,761	114,318	114,497

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

Administration report

The Board of Directors and CEO of AB Fagerhult (publ.), Corporate Identity Number 556110-6203, hereby present the Annual Report for the Group and the Parent Company for the year 2018.

Operations

The Fagerhult Group is one of Europe's leading lighting groups. We develop, manufacture, and market professional lighting solutions for public environments with a focus on design, function, flexibility and energy-efficient solutions. The Group has sales companies in more than 25 countries with 10 manufacturing facilities in Europe and factories also in China, Australia, Turkey, South Africa, and Thailand.

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

Changes in the Group

In April 2018, Fagerhult completed the acquisition of 100 per cent of the shares of Veko based in Schagen, the Netherlands. The Veko group companies included in the transaction are; Veko Lightsystems International B.V. based in the Netherlands, Veko Lightsystems GmbH based in Germany and the dormant company Veko Lightsystems S.L. based in Spain, which was sold in December 2018. The results of the Veko companies have been consolidated in the Fagerhult Group from 1 May 2018 and included in the business area Western and Southern Europe. The addition of Veko to the Fagerhult Group has created a strong opportunity in the professional logistics, distribution centre, warehousing, data centres and light engineering indoor sub-sectors and significant synergies from this, new to the Group, lighting application area are anticipated.

In December 2018, Fagerhult signed an agreement to acquire 100 per cent of the shares of iGuzzini illuminazione S.p.A. based in Recanati, Italy. The agreement was subject to competition authority approvals in German and Russia, which were both received in the first quarter 2019. The agreement was also subject to the necessary resolutions relating to the Issue in Kind, which were resolved at the EGM on the 7 February 2019. Closing of the deal is expected to take place in the first quarter of 2019. There are a total of 19 legal entities, 4 branch offices and 3 representative offices included in the iGuzzini group of companies with the holding entity being iGuzzini illuminazione S.p.A. Refer to www.iguzzini.com for further details on legal entity names and locations. It is anticipated that the results of the iGuzzini companies will be consolidated in the Fagerhult Group from the first quarter in 2019 and included in the business area Western and Southern Europe. The addition of iGuzzini to the Fagerhult Group will significantly strengthen the Group's position in the global professional market for indoor, outdoor and retail lighting. The acquisition was completed on the 7 March 2019 and will be consolidated from the 1 March.

During the second half of the year the Group transitioned successfully through the CEO change with Johan Hjertonsson leaving on 31 August and Bodil Sonesson joining on 8 October.

Sales and earnings

Activity levels in several of the Group's main markets demonstrated a positive picture for the year whilst some demonstrated a flat situation and the Group experienced a decline in the Brexit challenged UK. For our larger markets, and on a consistent currency basis, growth has been good in Sweden and Finland, with some growth being delivered in many of the remaining markets. The impact of the recently acquired Veko and WE-EF group of companies have both been positive to the Group overall and domestically our business in Turkey has performed well. We experience Brexit affecting the performance of the UK based businesses whereas Ireland is in strong recovery mode. Political situations continue to exist in Russia, Turkey and South Africa with the Arabian Gulf region experiencing a liquidity crisis.

Fagerhult performed well and delivered strong results for 2018, with many countries, regions and businesses increasing sales and profitability. In overall financial terms, 2018 has been Fagerhult's best year to date, beating the previous best of 2017 for order intake, net sales and operating profit. Operating cash flow for 2018 was in line with the long term trend.

The Group's order intake totalled MSEK 5,692 (5,238), adjusted for currency effects of MSEK –169 and acquisitions of MSEK –421, order intake declined 2.6 per cent year-on-year. Net sales totalled MSEK 5,621 (5,170), which is a decrease of 2.5 per cent adjusted for currency effects of MSEK –172 and acquisitions of MSEK –407. In the fourth quarter a 148.5 MSEK one off M&A related transaction credit and a 138.9 MSEK impairment of goodwill charge have been included in the Western & Southern Europe business area.

Operating profit recorded a year-on-year increase of MSEK 27.9 to MSEK 705.8 (677.9).

Financial items amounted to a negative MSEK 39.1 (negative 25.4). The increase of MSEK 13.7 was attributable to a higher interest charges on increased borrowings and reduced currency gains.

Earnings per share for 2018 was SEK 4.39 (4.32).

Our decentralised business model, combined with a high degree of cross Group collaboration, and a leading LED product offer with integrated lighting controls solutions have been the prime reasons behind the Group's positive development. Capital investment across the operational footprint remains at a high level and supports the design, marketing and sales activities in the business areas. Sales of LED products increased again during the year to in excess of 97 (91) per cent of the total sales. We consider that the transition to LED has been successfully completed and whilst the attention will remain on this topic, the focus turns to connected solutions.

Sales for Indoor Lighting decreased 1.1 (increased 1.0) per cent, sales in Retail Lighting decreased 9.4 (increased 1.1) per cent and Outdoor Lighting increased 0.9 (42) per cent, all changes are adjusted for currency effects and acquisitions.

BUSINESS AREAS

Fagerhult has chosen to divide its operations into four business areas based on geographical regions and one business area covering other activities: Northern Europe, UK and Ireland, Western and Southern Europe, Africa, Asia and the Pacific, and Other.

In accordance with IFRS 15, the external reporting has been adapted so that segment reporting reflects the Group's operative leadership structure. The reporting procedure also includes disclosures regarding the development of the previous business areas: Indoor, Retail and Outdoor Lighting segments.

Northern Europe

The business area comprises the Group's operations in the Nordics, the Baltics, Russia and Poland. The Group's factory in China, including manufacturing, product development and purchasing, is also part of the business area. Development, manufacturing and sales are conducted in Sweden and Finland, while operations in other markets, with the exception of China, engage only in sales.

Net sales were MSEK 2,113.0, up from MSEK 2,048.0 last year, adjusted for currency effects net sales increased 1.6 per cent compared with 2017. The operating profit for the period was MSEK 312.5 (266.2) and the operating margin 14.8 (13.0) per cent. The increase in operating profit was mainly as a result of improved gross margins and efficiency improvements.

During the final quarter the real estate at Bollebygd was sold for a sum of 29.5 MSEK and had a book value of 16.8 MSEK. The surplus of 12.7 MSEK has been allocated to the business area NE. The sales proceeds have been included in the cash flow statement under Investing activities and Revenue from sold property.

UK and Ireland

The business area comprises our companies in the UK and Ireland. The 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 only in sales.

Net sales in 2018 were MSEK 1130.6 compared with MSEK 1,211.1 in 2017, adjusted for currency effects, this represents a decline of 11.4 per cent. Brexit has created uncertainty and a reduction in business confidence, which combined had an increasing effect during the year. The operating profit for the period was MSEK 125.0 (184.9) and the operating margin 11.1 (15.3) per cent. The decline was due to reduced volumes in the Indoor and Retail segments.

Western and Southern Europe

This business area comprises the operations in Germany, the Netherlands, Belgium, France and Spain. In Germany the Group's business units are LTS Licht & Leuchten, LED Linear and the WE-EF group of companies, with all three engaging in the development, manufacture and sales of lighting systems with LED Linear having a 100 per cent focus in LED systems and WE-EF a 100 per cent focus in the outdoor segment. LED Linear UK has been consolidated from September 2017. The results of WE-EF have been consolidated from March 2017. The results of Veko, acquired in April 2018 have been consolidated from May 2018 and contribute MSEK 304 in net sales.

Cumulative net sales for the year were MSEK 2,113.4, up from MSEK 1,670.7 the year earlier. The operating profit for the same period was MSEK 246.9 (181.0), where the increase was mainly attributable to the acquisition of Veko and a continued strong result in Spain. In the fourth quarter a 148.5 MSEK one off M&A related transaction credit and a 138.9 MSEK impairment of goodwill charge have been included in this business area.

Africa, Asia and the Pacific

This business area comprises our operations in Australia, the United Arab Emirates, Turkey, South Africa and New Zealand. From April 2017, the results of the newly established OR Technologies Pty Ltd have been consolidated into this business area. The operations in Australia (including the specialist lighting controls company OR Technologies), South Africa and Turkey develop, manufacture and sell lighting systems while the operations in the UAE and New Zealand conduct only sales. Net sales for the period were MSEK 703.9, compared with MSEK 692.5 in the preceding year.

Adjusted for currency effects and acquisitions, sales grew by 7.1 per cent, which was mainly attributable to Australia, New Zealand, South Africa and Turkey. The political situation in South Africa restricted the continued increase in performance in this region and the liquidity situation in the Arabian Gulf stunted growth for our Middle East business.

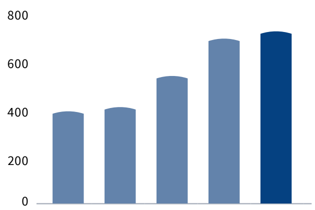
The operating profit was MSEK 65.0 (92.7) and the operating margin 9.2 (13.4) per cent.

Financial position

The Group's equity/assets ratio at the end of the year was 32 (31) per cent. Cash and bank balances at year end amounted to MSEK 808.4 (949.9) and consolidated equity totalled MSEK 2,129.2 (1,890.5).

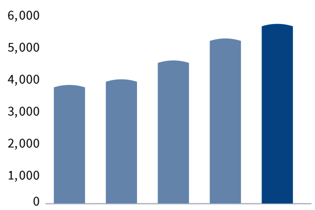
Net debt amounted to MSEK 2,073 (1,830).

OPERATING PROFIT, MSEK



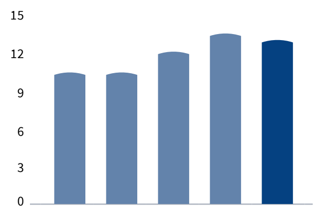
YR	2014	2015	2016	2017	2018
	379	396	524	678	706

SALES, MSEK



YR	2014	2015	2016	2017	2018
	3,735	3,909	4,491	5,170	5,621

OPERATING MARGIN, MSEK



YR	2014	2015	2016	2017	2018
	10.1	10.1	11.7	13.1	12.6

Cash flow from operating activities for the year totalled MSEK 378 (681). The decrease of MSEK 303 being due to MSEK 159 working capital increase (prior year a MSEK 86 decrease) plus increased taxes of MSEK 47 compared to last year. Pledged assets and contingent liabilities were MSEK 46.4 (47.2) and MSEK 1.4 (1.5), respectively.

Employees

In 2018, the average number of employees increased by 143 to 3,384 (3,241). Adjusted for acquired units, the average number of employees increased by 52 people, or 1.6 per cent. The number of employees in the Group's foreign companies amounted to 2,649 (2,486), which corresponded to 78 (77) per cent of the total number of employees. The proportion of women during the year amounted to 32 (31) per cent of all employees. To further strengthen the Group's knowledge capital, the established goals for individual and organisational development have increased as a priority so too has the investment in developing talented individuals, both new and existing employees. The graduate trainee programme is a good example of this.

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

Guidelines for remuneration to senior management

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, company car benefits and pensions. Annual variable remuneration is based on achieved goals and is maximised at 30–50 per cent of the basic salary.

These guidelines are also proposed for future years.

In 2012, a long-term incentive scheme was introduced in the form of a performance-based share-savings plan for senior management. The first scheme was in place between 2012 and 2015. The AGMs in 2013 to 2018 inclusive also resolved to approve additional share-savings plans that each extended over three years.

For additional information; see Note 2.

Investments

The Group's gross investments in property, plant and equipment amounted to MSEK 126 (120), and primarily pertained to machinery and equipment.

Investments in subsidiaries amounted to SEK 307 million (829). At year end, current investments amounted to MSEK 34 (50).

Gross investments in intangible assets amounted to MSEK 33 (57), excluding acquisitions of subsidiaries. Current investments amounted to MSEK 0 (0).

Depreciation/amortisation for the year amounted to MSEK 320 (158), of which property, plant and equipment accounted for MSEK 129 (108) and the goodwill write down in Western & Southern Europe accounted for MSEK 139 (0). Amortisation of intangibles accounted for MSEK 52 (50).

Product development

Continuous product development is undertaken within the Fagerhult Group across each of the 12 brands. The aim is to improve existing products, as well as developing new products. A basic principle is that development efforts should be carried out close to the markets and in collaboration with customers and end users. From an international perspective, Fagerhult holds a prominent position within the lighting design and technology field. Collaboration with the leading manufacturers of controls technologies, light sources and components is essential. Fagerhult's engineering centre, TeknikCentrum, includes one of Northern Europe's best equipped laboratories, where we can test the safety and performance of and approve our own products. A vitality index measures the share of net sales from products which are under 3 years old.

Development costs of MSEK 16 (11) were capitalised in the balance sheet for the year. Other costs are expensed as they arise.

For additional information; see Notes 11 and 29.

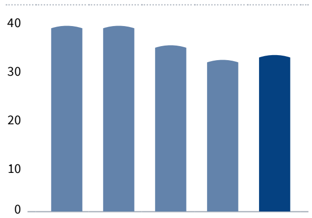
Sustainability report in accordance with the Swedish Annual Accounts Act

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, AB Fagerhult has chosen to prepare its sustainability report separately from its annual report. The scope of the sustainability report is indicated on page 46 of this document.

Share buybacks

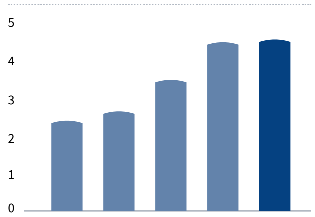
The AGM on 23 April 2018 authorised the Board to buy back the company's own shares. No shares were bought back during the year. In connection with the allocation of shares tied to the expiring Group's share savings plan, 8,070 treasury shares were used. The number of treasury shares totalled 1,149,708 (1,157,778) after the allocation and the number of shares outstanding was 114,500,292 (114,492,222). The percentage of shares held as treasury shares was 1.0 (1.0) per cent.

EQUITY/ASSETS RATIO, %



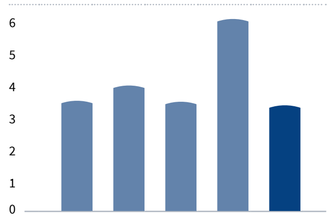
YR	2014	2015	2016	2017	2018
	38	38	34	31	32

EARNINGS PER SHARE, SEK



YR	2014	2015	2016	2017	2018
	2.30	2.54	3.35	4.32	4.39

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK



YR	2014	2015	2016	2017	2018
	3.44	3.91	3.41	5.96	3.30

The Board of Directors proposes that the AGM resolve to grant the Board continued authorisation, until the next AGM, to buy back the company's own shares. As treasury shares are not entitled to dividends, they are excluded from the total number of shares in the proposed appropriation of profits stated below.

Risks

A review of potential risks, including the manner in which these are managed, is found in Note 36.

The Fagerhult share

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

Extraordinary General Meeting

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

- Amend the Articles of Association of AB Fagerhult regarding the company's share capital and the number of shares outstanding in the company, and
- 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., and
- 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.

Refer to Note 37 on page 104 for further details.

Appointment and removal of Board members

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

Parent Company

AB Fagerhult's operations comprise Group Management, financing and the coordination of marketing, production, business and strategy development. The company's net sales amounted to MSEK 15.1 (14.2) for the period. The loss after financial items was MSEK 3,8 (profit 106.5). The number of employees during the period was seven (six).

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.

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.

Proposed appropriation of profits

The Group's retained earnings according to the consolidated balance sheet amount to MSEK 2,096.9 (1,818.7).

The following profits are at the disposal of the AGM:	
Profit brought forward	250.1 MSEK
Net profit for the year	219.0 MSEK
Profit carried forward	469.1 MSEK

The total number of dividend-bearing shares on 14 March 2019 amounted to 125,745,097. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders:	
SEK 2.00 per share	251.5 MSEK
To be carried forward	217.6 MSEK
Total	**469.1 MSEK**

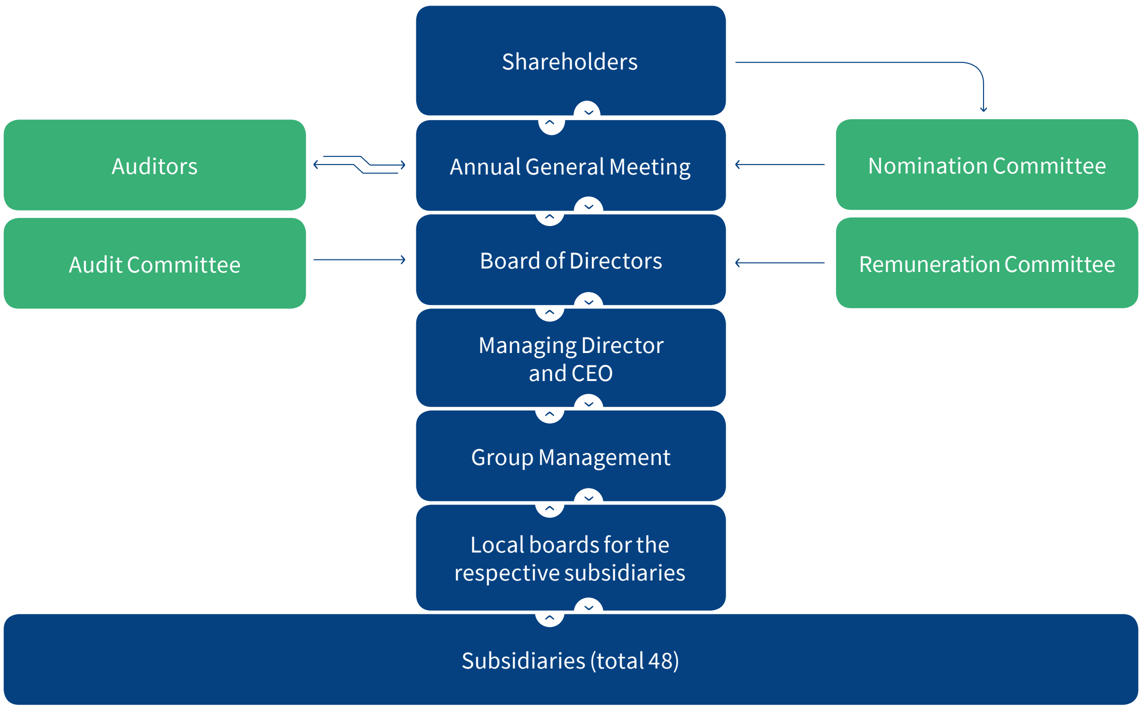
Board of Directors' statement regarding the proposed dividend

It is the opinion of the Board of Directors that the proposed dividend will not prevent the company from fulfilling its short or long-term obligations, nor will it prevent the company from making the necessary investments. Accordingly, the proposed dividend can be justified pursuant to the provisions of the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3.

Considering that the operations of the Company continue to be profitable, the equity/assets ratio is at a satisfactory level. It is the Company's assessment that liquidity can be maintained at a similarly satisfactory level.

Corporate Governance

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



KEY EXTERNAL REGULATIONS

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

KEY INTERNAL REGULATIONS

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

Shareholders and general meetings of shareholders

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

The number of shareholders at year end was 5,774 (5,559). The largest individual shareholder is Investment AB Latour, in which the Douglas family are the main shareholders and hold a total of 48.3 per cent (48.3). For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the Fagerhult share on pages 48–49 and to Note 34.

2018 Annual General Meeting

The 2018 AGM was held on 23 April in Habo. A total of 104 shareholders were present at the meeting, representing 69.7 per cent of the votes. Minutes from the AGM can be found on Fagerhult's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

- Resolution on the distribution of a dividend of SEK 2.00 (1.50) per share.
- Eric Douglas, Cecilia Fasth, Catherina Fored, Morten Falkenberg, Fredrik Palmstierna, Johan Hjertonsson and Jan Svensson were re-elected to the Board of Directors.
- Jan Svensson was re-elected Chairman.
- Jan Svensson was co-opted ("adjungerad") to the Nomination Committee and he was also granted the authority to appoint four additional members, one each representing the four largest shareholders and for the details of this to be published no later than in connection with the Company's third quarter report.
- The AGM resolved to introduce a performance-based share-savings plan for senior management, "The Performance Based Share Program 2018".
- The AGM resolved to grant the Board of Directors authorisation to buy back the company's own shares, corresponding to a maximum of 10 per cent of total share capital, for the period until the date of the next AGM.

Nomination Committee

The Nomination Committee is to be formed after the Chairman of the Board has identified the four largest shareholders in the Company in terms of the number of votes that are to make up the Nomination Committee along with the Chairman who is cop-opted ("adjungerad"). The identity of these shareholders is to be based on the shareholders' register and list of nominees maintained by Euroclear Sweden AB and refer to those shareholders registered under their own names or as members of an owner group as per 31 August 2018. It shall not be necessary to change the composition of the Nomination Committee if only marginal changes in the ownership of shares occur after this date. The mandate for the Nomination Committee is until a new Nomination Committee is appointed.

LARGEST SHAREHOLDERS AS PER 31 AUGUST 2018

Name	No. of shares	Share capital and voting rights, %
Investment AB Latour	55,861,200	48.3
SSB CL Omnibus AC, USA	9,950,863	8.6
The Svensson, family, foundation and company	7,943,727	6.9
Lannebo Fonder	7,489,285	6.5
Swedbank Funds	5,474,856	4.7
The Palmstierna family	3,018,600	2.6
Nordea Funds	2,668,284	2.3

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 co-opted not entitled to vote, Eric Douglas representing Investment AB Latour, Johan Ståhl (Chairman of the Nomination Committee) representing Lannebo Fonder, Evert Carlsson representing Swedbank Funds and Jan Särlvik representing Nordea Funds. The Nomination Committee for the 2019 AGM is also described on page 57.

The Committee's representatives have broad and extensive experience of Board work and work on Nomination Committees.

The work of the Nomination Committee takes place during the end of the financial year and at the start of the new financial year. Prior to an AGM at which auditors are to be appointed, the Nomination Committee collaborates with the Audit Committee, which works with the evaluation of the work of the auditors. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. Shareholders have the opportunity to submit written proposals to the Nomination Committee.

External auditors

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

THE NOMINATION COMMITTEE AHEAD OF 2019 AGM COMPRISES:

Member of the Nomination Committee	Representing	Participation/votes, %	Member of the Nomination Committee since
Jan Svensson (not entitled to vote)	Investment AB Latour	48.3	2008
Eric Douglas	Investment AB Latour	48.3	2015
Johan Ståhl – Chairman	Lannebo Fonder	6.5	2004
Evert Carlsson	Swedbank Funds	4.7	2017
Jan Särlvik	Nordea Funds	2.3	2017

Board of Directors elected by the AGM	Elected	Born	Fee	Number of shares/votes	Independent in relation to the owners	Independent in relation to the Company	Number of meetings – participated in	Comments
Chairman, Jan Svensson	2007	1956	650,000	55,888,200[1]	No	Yes	8	
Vice Chairman, Eric Douglas	1993	1968	450,000	360,000	No	Yes	8	
Board Member, Cecilia Fasth	2014	1973	300,000	5,325	Yes	Yes	7	
Board Member, Catherina Fored	2013	1964	300,000	9,000	Yes	Yes	8	
Board Member, Fredrik Palmstierna	1992	1946	300,000	3,018,600[1]	Yes	Yes	8	
Board Member, Morten Falkenberg	2017	1958	300,000	29,529	Yes	Yes	7	
Total			**2,300,000**	**59,310,654 (51.8%)**	**4 (67%)**	**6 (100%)**	**8**	

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

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

At the 2018 AGM, Öhrlings PricewaterhouseCoopers were re-appointed as auditors, with Peter Nyllinge as the Auditor-in-Charge. Among his major auditing assignments, Peter Nyllinge also has Sandvik and SEB.

The auditor participated at the Board and Audit Committee meeting in February 2018 and then reported on the 2017 audit.

Auditing of the Group's companies around the globe is coordinated by Öhrlings PricewaterhouseCoopers. All of the activities of companies with a significant scope of operations are audited by PricewaterhouseCoopers in the respective country with the exceptions of the LED Linear, WE-EF and Veko groups who have a full scope audit by other auditors. For a number of smaller companies, the audit is performed by other accounting firms.

THE BOARD OF DIRECTORS

Board members

The Board of Directors determines issues concerning the Group's strategic focus, finances, investments, acquisitions, sales, organisational matters and rules and policies. The Board of Directors is kept abreast of the company's operations through monthly reports provided by Group Management. The Board of Directors currently consists of six members elected by the general meeting, as well as two Board members and two deputy members elected by the trade unions. Three (three) of the Board members represent ownership participations equivalent to 52 per cent (51) of the company's share capital and votes. The trade union representatives are the only Board members employed by the Company. The CEO participates in all Board meetings and on occasion, other company employees participate in Board meetings in a reporting capacity. The company's Chief Financial Officer serves as the Board's secretary.

For further information concerning the Board members elected at the company's general meeting, refer to the section concerning the Board of Directors on pages 62–63 of this annual report.

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

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

Normally, five Board meetings are held each year and one statutory Board meeting. Four of these meetings address quarterly reports and the year-end report. At least one of the Board meetings takes place in conjunction with a visit to, and an in-depth review of, one of the Group's companies. One Board meeting per year is assigned additional time, and at this meeting a specific focus is placed on strategic issues. The auditor of the company is present at Board meetings when needed, normally once a year. Notices and supporting documents are sent to the Board one week in advance of the Board meetings. When issues are to be decided upon, the Board usually receives supporting documents concerning these issues well in advance.

The Board appoints two different committees annually; the Audit Committee and the Remuneration Committee. The aim of these committees is to enhance and facilitate the Board's work, and to address matters related to each area.

Board of Directors' independence

Fagerhult's Board meets the stipulation in the Code that a majority of the elected members are independent of the company and its management, and that at least two of the members are independent in relation to major shareholders (that is, ownership exceeding 10 per cent). See the table on page 57. The Chairman of the Board, Jan Svensson is not considered independent, as he represents the company's main shareholder in their roles as CEO and major shareholder in Investment AB Latour, respectively. Eric Douglas represents the Douglas family. With the exception of the union representatives no members of the Board are employed by the Group. The Nomination Committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal.

The work of the Board in 2018

The Board met eight times during the year, with one of these meetings being the statutory Board meeting. Five of the eight meetings were fully attended by the Board. One meeting plus the statutory meeting had the same member absent and one board meeting had three members absent. The company's auditor was present at one of the Board and Audit Committee meetings. This was the Board and Audit Committee meeting that addressed the annual accounts and, during which, the auditor submitted his findings.

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

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

Evaluation of the work of the Board

The Board will ensure that its work is continuously evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. Among other things, the process includes an on-line questionnaire in which Board members have the opportunity to express their opinion of the Board's work and to propose ways to improve it. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods.

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

The Audit Committee

The main duty of the Audit Committee is to audit the Group's accounting and financial reporting, as well as to remain in continuous contact with the auditors and review their work plan and fees. Furthermore, the Committee is to assist the Nomination Committee in its choice of auditors and their fees prior to those AGMs at which the appointment of auditors takes place.

In 2018, the Audit Committee comprised the entire Board with the exception of the CEO. During the year, the Audit Committee had one fully attended meeting at which the company's auditor was also present.

The Remuneration Committee

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

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

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

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

CEO and Group Management

Fagerhult's President and CEO is responsible for leading and developing operating activities pursuant to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board. During the third quarter (on 31 August) of the year the then current CEO of Fagerhult departed from the company and during the fourth quarter (on 8 October) the successor CEO took office. The company's CFO assumed the role of Interim CEO from 1 September until 7 October.

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

The CEO owns 3,188 shares in the company and this is stated in the presentation of the management on pages 64–65. The holding is not classified as significant and the CEO has no partnership in companies that have significant business relationships with companies in the Fagerhult Group.

During the year, the Group Management comprised the CEO, the CFO, three managers with responsibility for the regional business areas, two managers with functional responsibility for human resources and sustainable development, and production and logistics.

Group Management has had six meetings during the year where it followed up operations, discussed matters affecting the Group and drafted proposals for strategic plans and budgets, which the CEO presented to the Board for decision. One longer meeting per year is held, during which the operations and strategy are planned and discussed in more detail.

Management of subsidiaries

Fagerhult's operations are organised into four business areas. These include 48 subsidiaries. The operations of the respective subsidiaries are controlled by their Boards. The Boards of the subsidiaries consist of, among others, the managing director of the subsidiary, at least one business area manager and, in most cases, the Group's CEO and Group's CFO. A formal work plan is established annually for each subsidiary, in which responsibilities and authorities are clearly delegated and where the work of the subsidiary's Board is governed.

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

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

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

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

CODE OF CONDUCT

- Our global presence demands that our employees and business partners take responsibility for themselves and for each other. Therefore, we have created a regulatory framework, our Code of Conduct.
- Our Code of Conduct should be followed by everyone included in our Group, employees as well as the Board and Management. We also communicate our Code of Conduct to our business partners, with the expectation that it is complied with.
- Our Code of Conduct states, amongst other things, that we will act as a reliable and honest Group that lives up to its commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

REMUNERATION TO THE MANAGEMENT AND BOARD

Guidelines for remuneration

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

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

Long-term incentive scheme

In 2012, a long-term incentive scheme was introduced in the form of a performance-based share-savings plan for senior management. The first plan was approved by the 2012 AGM and runs from 2012 to 2015. The AGMs in 2013 to 2018 inclusive also resolved to approve additional share-savings plans that each extended over three years.

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

Remuneration to the Board

Fees payable to Board members are determined annually by the AGM. Board members who are also employees of the company receive no Board fees. No separate fees are payable for work on the committees other than the standard Board fee. In 2018, remuneration was paid in accordance with the table on page 57.

Remuneration to the auditors

In 2018, remuneration was paid in accordance with Note 27 on page 100.

INTERNAL CONTROL OF FINANCIAL REPORTING

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

Control environment

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

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

Financial reporting to the Board

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

Risk assessment

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

In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting Fagerhult's business from an operational and financial perspective. Read more about risks on pages 102–104.

Control activities and follow-up

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

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

Information and communication

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

Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities. During the year the CFO reminded the relevant personnel regarding the Financial Internal Guidelines document which complements the 2015 issued Minimum Internal Control Requirements and the reissue in 2017. Fagerhult's whistle-blower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Evaluation of the need for a separate audit function

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

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

Activities in 2018

During the year, the focus has been on further integrating the recently acquired companies of LED Linear, WE-EF and Veko and also developing the OR Technologies business in Australia. Extracting synergies has been and will remain an increased element to the integration of acquired businesses. The focus in the technology space has been on controls and connectivity solutions where a new Group wide approach is being considered.

Activities also covered the Group's internal controls and on inventory valuation and inventory control linked to the shift to LED technology. Focus and priority has also been given to various senior level recruitments, particularly within the local managing and finance functions. Following the re-issue of the Minimum Control Requirements and the initial issue of the Financial Internal Guidelines, follow up work has been performed locally, at subsidiary board meetings and with the company's auditor to improve the internal control in many businesses with the process and results being discussed by the auditor and the CFO. This work continues with further internal control improvements. The Minimum Control Requirement document and process is based on the COSO framework and the follow-up of internal control pursuant to these guidelines has become an integrated part of Group governance. Activities also included managing the CEO change.

1

2

3

4

5

6

7

8

9

The Board of Directors

1. JAN SVENSSON
Chairman
Born: 1956
Mechanical Engineer and M.Sc. in Business Administration.
Managing Director and Board Member of Investment AB Latour.
Chairman of Alimak AB, Nederman Holding AB and Tomra Systems ASA and Troax Nordic AB.
Board Member of Loomis AB, Assa Abloy AB, and Oxeon AB.
Board Member of Fagerhult since 2007.
Shares in AB Fagerhult: 55,888,200 (including Investment AB Latour, of which own shares 27,000)

2. ERIC DOUGLAS
Vice Chairman
Born: 1968
Certified Economist at high school level and 3 years of studies at Lund University within “Economics for Entrepreneurs.”
Self-employed since 1992.
Chairman of the Board of Pod Investment AB and Sparbössan Fastigheter AB. Board Member of, amongst others, Investment AB Latour.
Board Member of Fagerhult since 1993.
Shares in AB Fagerhult: 360,000

3. CECILIA FASTH
Born: 1973
M.Sc. Engineering
CEO of Stena Fastigheter AB.
Board Member of Fagerhult since 2014.
Shares in AB Fagerhult: 5,325

4. CATHERINA FORED
Born: 1964
Architect MSA.
CEO of HSB Norra Stor-Stockholm.
Board Member of Brunnberg & Forshed Arkitektkontor, Reomti Bygg AB and HSB Bostad.
Board Member of Fagerhult since 2013.
Shares in AB Fagerhult: 9,000

5. FREDRIK PALMSTIERNA
Born: 1946
M.Sc. in Business Administration, MBA.
Board Member of Nobia AB and The Viktor Rydbergs Schools Foundation.
Board Member of Fagerhult since 1992.
Shares in AB Fagerhult: 3,018,600 (incl. family and companies)

6. MORTEN FALKENBERG
Born: 1958
M.Sc. in Business Administration.
President and CEO of Nobia AB.
Board Member of Nobia AB and Velux Group.
Board Member of Fagerhult since 2017.
Shares in AB Fagerhult: 29,529

7. MAGNUS NELL
Born: 1964
Employee Representative
Shares in AB Fagerhult: 0

8. LARS-ÅKE JOHANSSON
Born: 1961
Employee Representative
Shares in AB Fagerhult: 2,580

9. PATRIK PALM
Born: 1984
Deputy Employee Representative
Shares in AB Fagerhult: 0

10. RASMUS NILSSON
Born: 1987
Deputy Employee Representative
Shares in AB Fagerhult: 0
(Picture missing)


1


2


3


4


5


6


7


8

Senior management

1. BODIL SONESSON
President and CEO
Born: 1968
M.Sc. in Business Administration, MBA.
Employed since: 2018
Shares in Fagerhult: 3,188

2. FRANK AUGUSTSSON
Regional Managing Director
Born: 1965
Technical College Graduate
Employed since: 1986–2001, 2004
Shares in Fagerhult: 24,931

3. ANDERS FRANSSON
Managing Director
Fagerhults Belysning AB
Born: 1969
M.Sc. Engineering
Employed since: 2005
Shares in Fagerhult: 21,495

4. JENNY EVELIUS
Head of Human Resources
Born: 1969
M.Sc. in Business Administration
Employed since: 2013
Shares in Fagerhult: 18,769

5. MICHAEL WOOD
Chief Financial Officer
Born: 1964
Chartered Accountant ACMA
Employed since: 2005
Shares in Fagerhult: 5,442

6. MICHAEL KRAMER
Regional Managing Director
Born: 1966
Dr. –Ing
Employed since: 2016
Shares in Fagerhult: 0

7. GEERT VAN DER MEER
Regional Managing Director
Born: 1965
PhD in Physics
Employed since: 2017
Shares in Fagerhult: 2,003

8. ANDREA SASSO
CEO iGuzzini illuminazione
Born: 1965
Education: M. Sc. in Business
Administration
Employed since: March 2019
Shares in Fagerhult 31 Dec 2018: 0

Consolidated income statement

MSEK	Note	2018	2017
Net sales	1	5,621.0	5,170.3
Cost of goods sold		–3,474.2	–3,245.7
Gross profit		**2,146.8**	**1,924.6**
Selling expenses		–1,035.9	–919.4
Administrative expenses		–467.0	–384.9
Other operating income	22	200.8	57.6
Other operating costs	11	–138.9	–
Operating profit		**705.8**	**677.9**
Financial income	3	10.1	15.0
Financial expenses	4	–49.2	–40.4
Total financial items – net		–39.1	–25.4
Profit before tax		**666.7**	**652.5**
Income tax	9, 10	–163.6	–158.1
Net profit for the year		**503.1**	**494.4**
Net profit for the year attributable to shareholders of the Parent Company		503.1	494.4
Earnings per share, based on earnings attributable to shareholders of the Parent Company during the year:			
Earnings per share before dilution, SEK		4.39	4.32
Earnings per share after dilution, SEK		4.39	4.32
Average number of shares outstanding before dilution, thousands		114,497	114,318
Average number of shares outstanding after dilution, thousands		114,497	114,318
Number of shares outstanding, thousands		114,500	114,492

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit for the year		**503.1**	**494.4**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of pension plans, net after tax	21	–0.7	–2.2
Items that may be reclassified to profit or loss:			
Translation differences, net after tax	36	–39.5	–105.7
Other comprehensive income for the year, net after tax		**–40.2**	**–107.9**
Total comprehensive income for the year		**462.9**	**386.5**
Total comprehensive income for the year attributable to shareholders of the Parent Company		**462.9**	**386.5**

Consolidated balance sheet

MSEK	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets	11		
Goodwill		2,099.9	1,831.0
Brands		889.3	699.2
Other intangible assets		170.7	179.2
Construction in progress		–	0.1
		3,159.9	**2,709.5**
Property, plant and equipment	12		
Land and buildings		265.2	261.2
Plant and machinery		258.3	236.5
Equipment, fixtures and fittings		145.1	137.5
Construction in progress		34.5	50.4
		703.1	**685.6**
Financial assets			
Other shares and participations	13	18.7	18.3
Deferred tax assets	10	29.2	31.9
Other non-current receivables	13	4.2	3.9
		52.1	**54.1**
Total non-current assets		**3,915.1**	**3,449.2**
Current assets			
Inventories	16		
Raw materials and consumables		393.7	350.6
Work in progress		71.4	53.6
Finished products and goods for resale		374.4	319.8
Goods in transit		17.9	37.5
		857.4	**761.5**
Current receivables			
Trade receivables	6	925.0	837.7
Current tax assets		21.7	7.2
Other receivables		32.1	27.1
Prepaid expenses and accrued income	15	61.5	64.3
		1,040.3	**936.3**
Cash and cash equivalents		808.4	949.9
Total current assets		**2,706.1**	**2,647.7**
TOTAL ASSETS		**6,621.2**	**6,096.9**

Consolidated balance sheet

MSEK	Note	2018	2017
EQUITY			
Capital and reserves attributable to shareholders of the Parent Company			
Share capital	33	65.5	65.5
Other contributed capital		205.0	205.0
Reserves		–238.2	–198.7
Retained earnings incl. net profit for the year		2,096.9	1,818.7
		2,129.2	**1,890.5**
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,371.6	2,684.6
Provisions for pensions and similar commitments	21	93.5	90.2
Other non-current liabilities	22	249.3	162.0
Deferred tax liability	10	334.7	282.9
		3,049.1	**3,219.7**
Current liabilities			
Borrowings	17	416.1	4.8
Advance payments from customers		13.8	10.5
Trade payables		351.2	412.2
Current tax liabilities		61.2	77.2
Other liabilities	22	237.6	110.2
Accrued expenses and deferred income	18	363.0	371.8
		1,442.9	**986.7**
Total liabilities		**4,492.0**	**4,206.4**
TOTAL EQUITY AND LIABILITIES		**6,621.2**	**6,096.9**

Changes in equity

	Note	Share capital	Other contributed capital	Reserves	Retained earnings incl. net profit for the year	Total equity
Equity at 1 January 2017		65.5	159.4	–93.0	1,495.2	1,627.1
Net profit for the year					494.4	494.4
Net investment hedges	30			–1.7		–1.7
Deferred tax on net investment hedges				0.3		0.3
Remeasurements of pension plans					–2.8	–2.8
Deferred tax on remeasurements of pension plans					0.6	0.6
Translation differences				–104.3		–104.3
Total comprehensive income for the year				**–105.7**	**492.2**	**386.5**
Performance-based share-savings plan	2				2.7	2.7
Sale of treasury shares			45.6			45.6
Dividend, SEK 1.50 per share	35				–171.4	–171.4
Equity at 31 December 2017		**65.5**	**205.0**	**–198.7**	**1,818.7**	**1,890.5**
Net profit for the year					503.1	503.1
Net investment hedges	30			–4.3		–4.3
Deferred tax on net investment hedges				0.8		**0.8**
Remeasurements of pension plans					–0.8	–0.8
Deferred tax on remeasurements of pension plans					0.1	0.1
Translation differences				–36.0		–36.0
Total comprehensive income for the year				**–39.5**	**502.4**	**462.9**
Performance-based share-savings plan	2				4.8	4.8
Dividend, SEK 2.00 per share	35				–229.0	–229.0
Equity at 31 December 2018		**65.5**	**205.0**	**–238.2**	**2,096.9**	**2,129.2**

Consolidated cash-flow statement

MSEK	Note	2018	2017
Operating profit		**705.8**	**677.9**
Adjustments for non-cash items:			
Depreciation/amortisation		320.3	158.2
Reversal of lliabilities for earnout payments	22	–148.5	–
Profit/loss on the sale of property, plant and equipment		–12.7	1.0
Items in equity		4.1	0.3
Translation differences		–97.6	–57.0
		771.4	**780.4**
Interest received		10.1	3.7
Interest paid		–49.2	–41.4
Income tax paid		–194.9	–147.9
Cash flow from operating activities before changes in working capital		**537.4**	**594.8**
Changes in working capital			
Changes in inventories		–69.6	46.5
Changes in current receivables		23.2	34.2
Changes in current liabilities		–112.9	5.6
Cash flow from operating activities		**378.1**	**681.1**
Investing activities			
Investments in subsidiaries	31	–306.6	–828.9
Investments in intangible assets	11	–33.0	–57.2
Investments in property, plant and equipment	12	–126.0	–119.9
Revenue from the sale of property, plant and equipment		35.7	–
Changes in construction in progress	12	15.9	–27.7
Increase in non-current receivables	13	–0.6	–6.2
Cash flow from investing activities		**–414.6**	**–1,039.9**
Financing activities			
Repayment of loans	17	–	–133.0
Borrowings	17	104.9	841.8
Sale of treasury shares		–	45.6
Dividends paid		–229.0	–171.4
Cash flow from financing activities		**–124.1**	**583.0**
Change in cash and cash equivalents		**–160.6**	**224.2**
Cash and cash equivalents at beginning of the year		949.9	731.6
Translation differences in cash and cash equivalents		19.1	–5.9
Cash, cash equivalents at end of the year		**808.4**	**949.9**

Parent Company income statements

MSEK	Note	2018	2017
Net sales	24	15.1	14.2
Gross profit		**15.1**	**14.2**
Selling expenses		–	–0.4
Administrative expenses		–50.5	–47.2
Operating profit/loss		**–35.4**	**–33.4**
Financial income and expenses			
Income from shares in subsidiaries	7	58.8	143.3
Interest income and similar profit/loss items	3	40.0	40.2
Interest expenses and similar profit/loss items	4	–67.2	–43.6
Total financial items		31.6	139.9
Profit before appropriations and tax		**–3.8**	**106.5**
Change in tax allocation reserve		8.6	–
Group contributions received		260.0	237.0
Tax on profit for the year	9, 10	–45.8	–42.6
Net profit for the year/Total comprehensive income		**219.0**	**300.9**

Parent Company balance sheet

MSEK	Note	2018	2017
ASSETS			
Non-current assets			
Financial assets			
Shares and participations in subsidiaries	14, 31	616.6	616.6
Receivables from subsidiaries		3,179.8	2,838.8
		3,796.4	**3,455.4**
Total non-current assets		**3,796.4**	**3,455.4**
Current assets			
Current receivables			
Other receivables		0.3	1.3
Receivables from subsidiaries		35.1	22.1
Prepaid expenses and accrued income	15	11.5	21.5
		46.9	**44.9**
Cash and cash equivalents/Cash and bank balances		**328.7**	**547.9**
Total current assets		**375.6**	**592.8**
TOTAL ASSETS		**4,172.0**	**4,048.2**

Parent Company balance sheet

MSEK	Note	2018	2017
EQUITY			
Restricted equity			
Share capital	33	65.5	65.5
Statutory reserve		159.4	159.4
		224.9	**224.9**
Non-restricted equity			
Retained earnings		250.1	174.5
Net profit for the year		219.0	300.9
		469.1	**475.4**
Total equity		**694.0**	**700.3**
Untaxed reserves			
Transfer to tax allocation reserve		–	8.6
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,706.8	2,660.2
Liabilities to subsidiaries		1.7	1.7
		2,708.5	**2,661.9**
Current liabilities			
Borrowings	17	411.0	–
Current tax liabilities		15.7	24.1
Other liabilities		–	0,4
Liabilities to subsidiaries		329.6	637.1
Accrued expenses and deferred income	18	13.2	15.8
		769.5	**677.4**
Total liabilities		**3,478.0**	**3,339.3**
TOTAL EQUITY AND LIABILITIES		**4,172.0**	**4,048.2**

Changes in equity, Parent Company

	Note	Share capital	Statutory reserve	Retained earnings incl. net profit for the year	Total equity
Equity at 1 January 2017		65.5	159.4	344.3	569.2
Net profit for the year/Total comprehensive income				300.9	300.9
Performance-based share-savings plan	2			1.6	1.6
Dividend, SEK 1.50 per share	35			–171.4	–171.4
Equity at 31 December 2017		**65.5**	**159.4**	**475.4**	**700.3**
Net profit for the year/Total comprehensive income				219.0	219.0
Performance-based share-savings plan	2			3.7	3.7
Dividend, SEK 2.00 per share	35			–229.0	–229.0
Equity at 31 December 2018		**65.5**	**159.4**	**469.1**	**694.0**

Parent Company cash-flow statement

MSEK	Note	2018	2017
Operating profit		**–35.4**	**–33.4**
Adjustments for non-cash items:			
Items in equity		3.7	1.6
Translation differences		–24.2	–8.9
		–55.9	**–40.7**
Interest received		40.0	40.2
Interest paid		–43.0	–34.7
Income tax paid		–54.2	–29.8
Cash flow from operating activities before changes in working capital		**–113.1**	**–65.0**
Changes in working capital			
Changes in current receivables		–2.0	8.0
Changes in current liabilities		–310.5	351.5
Cash flow from operating activities		**–425.6**	**294.5**
Investing activities			
Increase in non-current receivables	13	–341.0	–925.2
Group contributions and dividends received		318.8	380.3
Cash flow from investing activities		**–22.2**	**–544.9**
Financing activities			
Repayment of loans	17	–	–133.0
Borrowings	17	457.6	917.9
Dividends paid		–229.0	–171.4
Cash flow from financing activities		**228.6**	**613.5**
Change in cash and cash equivalents		**–219.2**	**363.1**
Cash and cash equivalents at beginning of the year		547.9	184.8
Cash, cash equivalents at end of the year		**328.7**	**547.9**

Accounting policies

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

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

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

CONSOLIDATED ACCOUNTS

Subsidiaries

The consolidated accounts included subsidiaries over which the Group has control, that is when the Group is exposed to or has the right to variable returns from its holdings in the company and can affect returns through its control.

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

The Group applies the acquisition method to recognise the Group's business combinations. The acquisition price paid for a subsidiary is the fair values of the assets transferred, the liabilities incurred and the shares issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from an earnout arrangement. Acquisition-related costs are expensed as incurred and are included under the item Administrative expenses. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired company are recognized at fair value or at the proportionate share of the acquired company's net assets. The amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit or loss.

Inter-company gains on transactions between Group companies are eliminated in their entirety. There are no non-controlling interests within the Group.

TRANSLATION OF FOREIGN CURRENCIES

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency.

Transactions and balance-sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange-rate differences attributable to operating activities are recognised in operating profit, while exchange-rate differences attributable to the Group's financing are recognised under financial income and expenses. Exceptions to this include hedging transactions that meet the requirements for the hedge accounting of net investments, for which exchange-rate differences are recognised in other comprehensive income.

Subsidiaries

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

- assets and liabilities for each balance sheet are translated at the closing rate of exchange;
- income and expenses for each income statement are translated at the respective average exchange rate (unless the average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the transaction-date rates); and
- all resulting exchange-rate differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

INCOME TAX

Reported income tax includes tax which is to be paid or received for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax.

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

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

Deferred tax is calculated using the balance-sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments and transfers to tax allocation reserves.

Deferred tax assets pertaining to future tax deductions are recognised to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are not recognised in the consolidated accounts as the Parent Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future.

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

INVENTORIES

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

The valuation of work in progress and finished products includes design costs, direct labour costs and other direct costs with a reasonable mark-up for indirect costs (based on normal production capacity). This item excludes borrowing costs.

Net realisable value is the estimated selling price in the on-going course of business, less applicable variable selling expenses.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are classified as current assets and are recognised at cost less provision for impairment. See below for a description of the Group's impairment policies for trade receivables.

REVENUE RECOGNITION

Goods

The Group manufactures and sells lighting solutions to the professional lighting market. Sales of goods are recognised when control of the goods is transferred – that is, upon delivery to the customer, when they have full right of decisions over the goods and there are no longer any unfulfilled obligations that might affect customers' approval. Delivery is recognised when the goods have been delivered in accordance with the agreed-upon delivery terms and the risk for obsolete or missing goods has transferred to the customer and the customer has accepted the goods in accordance with the agreement, the timeframe for changes to the agreement has expired or the group has objective evidence that all the criteria for acceptance have been fulfilled.

Volume rebates are often applied to sold goods based on accumulated sales over a twelve-month period. Income from sales of goods is recognised based on the price in the agreement, less calculated volume rebates. Historic data is used to estimate the rebate's eventual value and income is recognised only to the extent that it is unlikely that a significant reversal will arise. A liability (which is included in accrued expenses) is recognised for estimated volume rebates applied to sales until closing date. No financing component is assessed to be required at the time of sale with a credit period of 50 days in average, which is in alignment with market practice. The Group's obligation to repair or replace defective products according to normal warranty rules is recognised in accrued costs.

A receivable is recognised when the goods have been delivered, as that is when payment becomes unconditional (that is, payment requires only the passage of time). Intercompany sales are eliminated in the consolidated accounts.

Other operating income

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

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Income from dividends is recognised when the right to receive payment has been determined.

INTERNAL TRANSFER PRICING

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

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease term (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis.

BORROWING COSTS

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

CASH-FLOW STATEMENT AND CASH AND CASH EQUIVALENTS

The cash-flow statement has been prepared using the indirect method. The recognised cash flow includes only those transactions that have resulted in receipts or payments. Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2018 and 2017, cash and cash equivalents were comprised solely of cash and bank balances.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise, primarily, factories and offices. All property, plant and equipment (PPEs) are measured at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenses are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is likely that future economic benefits associated with the asset will accrue to the Group, and when the asset's cost can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they arise.

No depreciation is reported for land. Depreciation on other assets is calculated using the straight-line method to allocate their cost down to their residual values over their estimated useful lives, as follows:

Buildings	25 years
Permanent equipment, service facilities, etc. in buildings	10–20 years
Land improvements	20 years
Machinery and equipment	5–10 years
Vehicles and IT systems	5 years
Computers and tools	3 years

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

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

INTANGIBLE ASSETS

Capitalised development expenditure

The Group incurs no expenses for research. Expenses arising from development projects (attributable to the development of new luminaires) are reported in the Group as intangible assets when it is likely that the project will be successful, in terms of its commercial and technical possibilities, and when the expenses can be reliably measured. Other development expenses are expensed as they arise. Development expenses previously recognised as an expense are not capitalised as assets in subsequent periods.

Capitalised development expenditure with a limited useful life is amortised on a straight-line basis from the point in time at which commercial production can be initiated. Amortisation is reported during the asset's expected useful life, which is usually three to five years. Amortisation is included in profit or loss under the item Cost of goods sold. Capitalised development expenditure is included under the item Other intangible assets.

Goodwill

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

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

Brands

This item mainly includes assets in the form of brands, which have arisen in conjunction with the acquisition of subsidiaries and which are recognised at fair value on the acquisition date. Brands acquired as a part of a business combination are assessed as having indefinite useful lives since the Group has made the judgement that these will drive sales for an indeterminate future and are annually tested for impairment as described above for goodwill. Brands that have been acquired separately have a finite useful life and are initially recognised at cost, less accumulated amortisation and impairment in subsequent periods. Amortisation is applied on a straight-line basis over the estimated useful life.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

FINANCIAL INSTRUMENTS

Financial instruments reported in the balance sheet include other shares and participations, other non-current receivables, operating receivables, cash and cash equivalents, borrowings, other non-current liabilities (pertaining to conditional earnout payments) and operating liabilities. Derivative instruments included in the items operating receivables and operating liabilities.

Financial assets – Accounting Policies applied from 1 January 2018

Starting 1 January 2018, the Group classifies its financial assets in the following categories: Financial assets recognised at fair value through profit or loss (encompasses the items other shares and participations, and derivative instruments with positive fair value recognised in the item other current receivables) and Financial assets recognised at amortised cost (encompasses the items other non-current receivables, trade receivables, and parts of current receivables and cash and cash equivalents).

The classification of investments in liability instruments is based on the Group's business model for managing financial assets and the contractual conditions for the assets' cash flows. All of the Group's financial assets that comprise debt instruments are classified in the category Financial assets at amortised cost. These include assets held in order to collect contractual cash flows and where these cash flows consist solely of principal and interest which is recognised at amortised cost. Interest income from these financial assets is recognised as financial income on the basis of the effective interest method. Profits and losses that arise upon derecognition from the balance sheet are recognised directly in profit or loss along with exchange rate profit and loss.

Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits itself to purchase or sell the asset. Financial assets are derecognised from the balance sheet when the rights to receive cash flows from the instruments have expired or been transferred, and the Group has substantially transferred all of the risks and rewards associated with ownership.

Financial assets initially valued at fair value, plus transaction costs directly pertaining to the purchase when the asset is not recognised at fair value in profit or loss. Transaction costs pertaining to financial assets recognised at FVTPL are expensed directly in profit or loss. The group measures all equity instruments at fair value in profit or loss. Changes in the fair value of financial assets recognised at FVTPL are recognised in profit or loss.

Starting 1 January 2018, the Group estimates the expected credit losses (ECLs) related to investments in debt instruments recognised at amortised cost. In accordance with IFRS 9, the Group applies a modified approach for impairment testing of trade receivables. The modification results in the loss allowance for ECLs being calculated based on the risk of loss for the entire term of the receivable and is recognised when the receivable is first recognised. To measure the ECLs, trade receivables have been collectively based on shared credit risk characteristics and past-due days. The Group uses prospective variables to calculate ECLs. ECLs are recognised in the Group's income statement under the item selling expenses.

Financial assets – Accounting Policies applied prior to 1 January 2018

The Group has applied IFRS 9 with retroactive effect, but has chosen not to restate the comparative figures. This means that the submitted comparative figures have been recognised according to the previous accounting policies. Up to 31 December 2017, the Group classified its financial instruments in the categories Financial assets at fair value through profit and loss, Available-for-sale financial assets and Loans receivable and Accounts receivable. Classification is based on the underlying reason for acquiring the financial asset. Company management determines the classification of financial assets at initial recognition and, thereafter, re-examines the decision at each reporting occasion.

The category Loans receivable and accounts receivable included the items Other non-current receivables, Trade receivables, Other current receivables and Cash and cash equivalents in the balance sheet.

Financial assets were initially recognised at fair value plus transaction costs, which applied to all financial assets which were not measured at fair value in profit or loss. Financial assets at fair value through profit or loss were initially valued at fair value, while applicable transaction costs were recognised in profit or loss. Loans receivable and Accounts receivable were recognised in subsequent periods at amortised cost using the effective interest method. Where necessary, provisions were made for impairment. Available-for-sale financial assets (the item Shares and participations) and financial assets at fair value through profit or loss (derivative instruments with positive fair values that were recognised in the item Other current receivables) were recognised after the acquisition date at fair value. Realised and unrealised gains and losses resulting from changes in fair value attributable to the category Financial assets at fair value through profit or loss were included in the income statement in the period during which they arose.

The Group made an assessment at each closing date as to whether objective evidence existed of an impairment requirement for a financial asset or group of financial assets. A provision for impairment of trade receivables was made when there was objective evidence that the Group would not be able to receive all amounts due according to the original terms of the receivable. Significant financial difficulties on the part of the debtor, the probability that the debtor would enter into receivership or undergo financial reconstruction, and defaulted or late payments were considered indicators that an impairment provision for trade receivables could be required. The amount of the provision was the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset was reduced using an impairment allowance account and the loss is recognised in profit or loss under Selling expenses. Recoveries of amounts previously written off were credited against Selling expenses in profit or loss.

Financial liabilities

The accounting policies and estimation of the Group's financial liabilities have not changed as a result of the transition to IFRS 9. The policies for financial liabilities in this section therefore pertain to all periods presented in the consolidated financial statements. The Group classifies its financial liabilities in the categories Financial liabilities measured at fair value through profit or loss (consists of conditional earnout payments recognised under the item Other non-current liabilities and Other liabilities and derivative instruments with negative fair values recognised under the item Other current liabilities) and Other financial liabilities (encompassing the items current and non-current borrowings, trade payables and parts of the item Other current liabilities).

Financial liabilities measured at FVTPL are initially measured at fair value, while applicable transaction costs are recognised in profit or loss. Other financial liabilities are initially measured at fair value, net after transaction costs, and thereafter, at amortised cost using the effective interest method. Derivative instruments are recognised on the trade date and are not used for hedge accounting. Changes in fair value are, therefore, recognised immediately in profit or loss under Operating profit. The change in fair value for conditional earnout payments are recognised under the item Other operating income in profit or loss.

Financial liabilities are removed from the balance sheet when obligations have been regulated or annulled, or have otherwise expired. The difference between the carrying amount for a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the payment made, including transferred assets that are not cash or assumed liabilities, is recognised in profit or loss.

Net investment hedges

The Group applies net investment hedges in foreign operations, which are recognised according to the following: Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and is accumulated in equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is partially disposed of or sold. As a hedging instrument for net investments, the Group designates borrowings in the same currency as the net investment.

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 the case of a repurchase of shares, retained earnings are reduced by the amount paid for the shares. When treasury shares are sold, retained earnings increase by the amount received.

BORROWINGS

Borrowings (encompassing the items Non-current and current borrowings in the balance sheet) are initially recognised at fair value, net after transaction costs. Borrowings are recognised thereafter at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit or loss over the duration of the term, using the effective interest method.

Borrowings are classified as current liabilities if the Group does not have an unconditional right to defer payment of the liability for at least twelve months after the end of the reporting period.

EMPLOYEE BENEFITS

Pension commitments

Within the Group, there are both defined-contribution plans and defined-benefit plans. A defined-benefit plan is a pension plan stipulating a determined amount of pension benefit which the employee receives after retirement, usually based on several factors, such as age, length of service or salary. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity and, therewith, has no obligation to pay additional premiums. Costs for employees' service during current or previous periods impact the Group's earnings.

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

The liability recognised in the balance sheet pertaining to defined-benefit plans is the present value of the defined-benefit commitments at the closing date and is adjusted for unrecognised actuarial gains/losses for service during previous periods. The defined-benefit commitments are calculated yearly by an independent actuary, applying the projected unit credit method. This method allocates pension costs in pace with the employees' execution of services for the company, which increases their right to future remuneration. The company's commitments are valued at the present value of the expected future payments, utilising a discount rate corresponding to interest on first-class corporate bonds. The most important actuarial assumptions are stated in Note 21.

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

For defined-contribution plans, the Group pays premiums into a public or privately administered pension insurance plan on an obligatory, contractual or voluntary basis. The Group has no additional payment obligations when these premiums are paid. The premiums are reported as pension costs when they fall due. Prepaid premiums are recognised as assets to the extent that cash repayment or a decrease in future payments may benefit the Group.

Share-based payments

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

Termination benefits

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

Provisions

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

If there are a number of similar obligations, an assessment is made of the probability that an outflow of resources will be required to settle the entire Group's obligations. A provision is recognised even if the probability of an outflow for a separate item in this group of obligations is minimal.

EARNINGS PER SHARE

Earnings per share are calculated as net profit/loss for the year in accordance with the income statement in relation to the average number of shares outstanding before and after dilution.

SEGMENT REPORTING

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

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

DIVIDENDS

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

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 stipulates that, in its annual accounts, the Parent Company is to apply International Financial Reporting Standards (IFRS) as endorsed by the EU, where this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the connection between accounting and taxation. RFR 2 specifies the exceptions and supplements to be applied in relation to IFRS. Identified differences between accounting policies of the Group and the Parent Company mainly refer to IAS 12 Income taxes. The amounts transferred to untaxed reserves constitute taxable temporary differences. Due to the connection between accounting and taxation, deferred tax liabilities applicable to untaxed reserves are not disclosed separately in the Parent Company. Accordingly, these are reported in their gross amounts in the balance sheet. Appropriations are recognised at gross value in profit or loss.

Group contributions are recognised as appropriations.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

Impairment testing of goodwill and brands with indefinite useful lives

For the Group, it has been determined that the estimates and assessments made in connection with impairment testing of goodwill and brands are of significance for the consolidated accounts. Each year, the Group conducts tests to determine whether any impairment requirement exists for carrying amounts. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations are based on certain assumptions regarding the future which, for the Group, are associated with a risk of material adjustments of carrying amounts during the forthcoming financial year. Significant assumptions and the effects of reasonable changes of such are stated in Note 11.

APPLICATION OF NEW OR AMENDED STANDARDS

New and amended standards applied by the Group.

The following standards have been applied by the Group for the first time for the financial year beginning 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces new requirements for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The new standard provides more detailed guidance in many areas not previously covered by the applicable IFRS, including recognition procedures for contracts with one or more parts, variable pricing, customers' right of return, etc.

Following an analysis according to the five-step model, the assessment is that no material differences exist between the previously applicable accounting policies and guidance pertaining to identification of the performance obligations of the contract and allocation of the transaction price in IFRS 15. As with the previous revenue recognition policies, sales of products will be recognised when the transfer of risk under the contract has been effected which, according to the analysis performed, also meets the criteria for the transfer of control under IFRS 15.

Accordingly, the final assessment is that the introduction of IFRS 15 has no significant effect on the Group's financial position and thus no quantitative effect has been recognised in the transition to IFRS 15.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new hedge accounting rules. The final version of IFRS 9 was published in July 2014. IFRS 9 replaces the parts of IAS 39 relating to the classification and measurement of financial instruments, and introduces a new impairment model.

An investigation was conducted with regard to the effects of the transition to IFRS 9 on the classification and measurement of the Group's financial instruments. It was noted that the new rules for classification and measurement do not impact the Group's financial position at the transition date, since the rules do not entail any significant change in terms of the measurement of the financial instruments in the Group's balance sheet.

IFRS 9 includes a new impairment model that is based on expected credit losses, and which takes into consideration forward-looking information. Historically, the Group has experienced extremely low credit losses and the customer base comprises stable companies. Moreover, even from a forward-looking perspective, the assessment is that the likelihood of default among our customers is low. Accordingly, the conclusion is that no further impairment of trade receivables is necessary.

The new hedge accounting rules do not have any quantitative effect on the consolidated financial statements since the Group is only applying net investment hedges and the report is the same as earlier.

Therefore, IFRS 9 does not have any impact on the Group's financial position on application from 1 January 2018.

In accordance with the standard's transitional rules, the Group will not be recalculating comparative figures for the 2017 financial year.

New standards and interpretations that have not yet been adopted by the Group.

A number of new standards and interpretations come into effect for financial years starting after 1 January 2019, and have not been applied in the preparation of these financial statements. None of these standards or interpretations are expected to have any material impact on the consolidated financial statements, with the exception of the following:

IFRS 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 1 January 2019, after adjustments for prepayments recognised as at 31 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 1 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 31 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.

Notes

Note 1 | Segment reporting

	Northern Europe		UK and Ireland		Western and Southern Europe		Africa, Asia and the Pacific		Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales and income														
Net sales	2,113.0	2,048.0	1,130.6	1,211.1	2,123.4	1,670.7	703.9	692.5			–449.9	–452.0	5,621.0	5,170.3
(of which internal sales)	(269.0)	(289.4)	(43.7)	(54.9)	(70.7)	(40.6)	(66.5)	(67.1)			–(449.9)	–(452.0)	(0.0)	(0.0)
Operating profit by line of business	312.5	266.2	125.0	184.9	246.9	181.0	65.0	92.7	–43.6	–46.9			705.8	677.9
Operating profit													**705.8**	**677.9**
Financial income													10.1	15.0
Financial expenses													–49.2	–40.4
Income tax													–163.6	–158.1
Net profit for the year													**503.1**	**494.4**
Other disclosures														
Non-current assets	406.4	448.3	418.4	415.0	2,696.6	2,133.2	388.5	446.8			5.3	6.0	3,915.1	3,449.3
Other assets	2,702.6	2,255.2	553.8	596.9	1,165.9	959.2	364.4	381.7	37.8	33.7	–2,142.3	–1,584.4	2,682.4	2,642.3
Unclassified assets													23.7	5.3
Total assets													**6,621.2**	**6,096.9**
Liabilities	812.1	486.4	203.1	251.5	671.4	696.4	137.7	157.9	14.3	17.5	214.5	–174.3	2,053.1	1,435.4
Unclassified liabilities													2,438.9	2,771.0
Total liabilities													**4,492.0**	**4,206.4**
Investments	60.4	66.2	23.7	34.0	65.0	32.1	9.9	44.8					159.0	177.1
Depreciation/amortisation	63.5	63.1	30.0	25.7	73.2	56.6	14.7	12.8					181.4	158.2
Impairment					138.9								138.9	–
Reversal of liabilities for earnout payments					148.5								148.5	–
External sales per market														
Sweden	1,088.3	1,030.7			10.0	13.4							1,098.3	1,044.1
UK	1.6	7.3	1,020.1	1,110.4	55.1	47.1							1,076.8	1,164.8
Germany	6.5	19.3	9.0	11.6	475.7	407.5	0.1	0.1					491.3	438.5
Australia	8.3	0.1			117.9	108.9	279.8	282.4					406.0	391.4
France	8.5	8.3			359.3	280.7							367.8	289.0
The Netherlands	2.5	9.0			303.1	125.8							305.6	134.8
Norway	225.9	230.8			1.5	3.0							227.4	233.8
Spain	1.6	0.4			204.1	197.3							205.7	197.7
USA					175.8	136.4							175.8	136.4
Finland	151.9	165.6			2.3	2.1							154.2	167.7
South Africa					1.6	1.6	136.3	106.3					138.0	107.9
Denmark	129.3	135.0			1.3	2.0							130.6	137.0
United Arab Emirates	0.2	0.0			22.9	33.4	104.1	134.7					127.2	168.1
Turkey	0.9	5.8			1.7	0.7	84.8	81.2					87.4	87.7
Belgium	1.3	2.5	0.2		74.9	4.2	0.1						76.5	6.7
Poland	61.6	8.0			0.8	62.1							62.4	70.1
Ireland			56.5	31.9	2.1	4.8							58.6	36.7
Russia	29.0	53.5			12.9	1.7							41.9	55.2
Other	126.7	82.3	1.2	2.3	229.3	197.4	32.2	20.7					389.4	302.7
Total	**1,844.0**	**1,758.6**	**1,086.9**	**1,156.2**	**2,052.7**	**1,630.1**	**637.4**	**625.4**					**5,621.0**	**5,170.3**

	Northern Europe		UK and Ireland		Western and Southern Europe		Africa, Asia and the Pacific		Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets per market														
Germany					1,415.4	1,503.2							1,415.4	1,503.2
UK			407.2	404.3	24.4	26.1							431.6	430.4
Sweden	290.2	318.3											290.2	318.3
France					285.9	276.2							285.9	276.2
Australia					99.9	104.9	118.2	121.6					218.1	226.5
Turkey							168.5	215.0					168.5	215.0
Thailand					142.2	135.0							142.2	135.0
The Netherlands					616.4	3.6							616.4	3.6
South Africa							101.0	108.9					101.0	108.9
Finland	83.0	80.9											83.0	80.9
China	10.2	10.5											10.2	10.5
Other	23.0	38.6	11.2	10.7	112.4	84.2	0.8	1.3			5.3	6.0	152.6	140.8
Total	**406.4**	**448.3**	**418.4**	**415.0**	**2,696.6**	**2,133.2**	**388.5**	**446.8**			**5.3**	**6.0**	**3,915.1**	**3,449.3**

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

- ***Northern Europe***. The business area comprises the Group's operations in the Nordic and Baltic countries, Poland and Russia. The Group's plant in China, including manufacturing and purchasing, is also part of the business area. In Sweden and Finland, operations are comprised of development work, manufacturing and sales, while operations in other markets, with the exception of China, refer only to sales.
- ***the UK and Ireland***. The business area comprises our companies in the UK and Ireland. Whitecroft Lighting and Designplan Lighting develop, manufacture and sell lighting systems. Other units engage in sales activities.
- ***Western and Southern Europe*** This business area includes operations in Germany, the Netherlands, Belgium, France, Spain, Thailand, Switzerland and the US. The companies in Veko acquired during the year are also consolidated into this segment. The dominant operations are the German companies LTS Licht & Leuchten GmbH, LED Linear GmbH and WE-EF in Germany and Thailand, as well as Veko in the Netherlands, which develop, manufacture and sell lighting systems. Other units engage in sales activities.
- ***Africa, Asia and the Pacific***. The business area comprises the operations in Turkey, the United Arab Emirates (UAE), Australia, New Zealand and South Africa. The Australian, Turkish and South African operations develop, manufacture and sell lighting systems while the operations in the UAE refer to sales.
- ***Other***. This business area is mainly comprised of the Parent Company and certain Group-wide functions.

Sales per product area

	Northern Europe		UK and Ireland		Western and Southern Europe		Africa, Asia and the Pacific		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Indoor Lighting	1,308.8	1,216.7	902.7	919.0	554.2	275.5	578.4	564.0	3,344.1	2,975.2
Retail Lighting	216.7	238.5	142.9	189.1	695.0	684.1	27.0	27.9	1,081.6	1,139.6
Outdoor Lighting	318.5	303.4	41.3	48.1	803.5	670.5	32.0	33.5	1,195.3	1,055.5
Total	**1,844.0**	**1,758.6**	**1,086.9**	**1,156.2**	**2,052.7**	**1,630.1**	**637.4**	**625.4**	**5,621.0**	**5,170.3**

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

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

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

The majority of the Group's income is recognised within a limited timeframe and the Group has no single customer where sales comprise more than 10 per cent of the Group's revenue.

Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2018	2017	2018	2017	2018	2017
Parent Company	19.0	18.2	8.9	13.1	(6.4)	(4.7)
Subsidiaries	1,355.7	1,202.3	329.9	293.7	(70.0)	(64.3)
Group	**1,374.7**	**1,220.5**	**338.8**	**306.8**	**(76.4)**	**(69.0)**

Salaries and other remuneration to Board members, the CEO and senior management	Salaries and other remuneration	(of which variable remuneration)	Pension expenses	Salaries and other remuneration	(of which variable remuneration)	Pension expenses
	2018	2018	2018	2017	2017	2017
Parent Company, 10 (10) employees	15.4	(2.4)	1.9	22.3	(4.1)	2.3
Subsidiaries, 35 (34) employees	66.6	(9.0)	5.5	73.7	(14.1)	8.9
Group	**82.0**	**(11.4)**	**7.4**	**96.0**	**(18.2)**	**11.2**

Remuneration to senior management during the year:	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension expenses	Share-based payments	Total
Parent Company						
Chairman of the Board, Jan Svensson	0.6	–	–	–	–	0.6
Board Member, Eric Douglas	0.5	–	–	–	–	0.5
Board Member, Cecilia Fasth	0.3	–	–	–	–	0.3
Board Member, Morten Falkenberg	0.3	–	–	–	–	0.3
Board Member, Catherina Fored	0.3	–	–	–	–	0.3
Board Member, Fredrik Palmstierna	0.3	–	–	–	–	0.3
CEO, Johan Hjertonsson until 31/8/2018	3.8	1.0	0.1	1.1	–	6.0
CEO, Bodil Sonesson from 8/10/2018	1.1	0.2	–	–	–	1.3
Other senior management (3 individuals)	5.8	1.2	0.2	0.8	–	8.0
	13.0	**2.4**	**0.3**	**1.9**	**–**	**17.6**
Subsidiaries						
Other senior management (3 individuals)	7.1	0.9	0.3	2.1	–	10.4
Group	**20.1**	**3.3**	**0.6**	**4.0**	**–**	**28.0**

Remuneration to the Board of Directors was determined at the 2018 AGM. No additional remuneration has been paid to the Board of Directors, with the exception of remuneration for travel expenses. Other senior management refers to the Group management and those individuals responsible for the various business areas. Other benefits refer to company cars.

Remuneration policy

The Chairman of the Board and Board members receive Board fees in accordance with the resolutions of the AGM. Remuneration is not paid to members of the Board employed within the Group.

Remuneration to the CEO is determined by the Board on the basis of proposals made by the Remuneration Committee. Remuneration to other senior management has been approved by the Remuneration Committee following proposals from the CEO.

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

For the CEO, annual variable remuneration is maximised at the equivalent of 50 per cent of fixed salary. The variable salary is based on the Group's earnings per share. In addition to the annual bonus, the CEO is covered by the performance-based share-savings plan described below.

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

Pensions

The retirement age of the CEO and other senior management is 65. Defined-contribution pension insurance corresponding to 35 per cent of the fixed annual salary is paid for the CEO. Pension benefits for other senior management are paid within the framework of the applicable ITP supplementary pension plan.

Severance Pay

For the CEO, the notice period for termination of employment is 12 months if termination is initiated by the company and six months if initiated by the CEO. If termination is initiated by the company without reason for termination, the CEO is entitled to severance pay corresponding to 12 months' salary. Severance pay is deducted against other earned income.

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

Performance-based share-savings plan

The company's 2014 AGM resolved to implement a performance-based share-savings plan for the CEO, senior management and a number of key employees within the Group. Additional performance-based share-savings plans were then approved by the AGMs in 2015, 2016, 2017 and 2018. In the first plan, a total of 34 people were offered the opportunity to participate, of which 31 accepted. In the second plan, 33 people were offered the opportunity to participate, of which 9 accepted. In the third plan, 29 people were offered the opportunity to participate, of which 22 accepted. In the fourth plan, 37 people were offered the opportunity to participate, of which 21 accepted. In the fifth plan, 48 people were offered the opportunity to participate, of which 31 accepted.

Participation in the plan requires a personal investment in Fagerhult shares. Following, under normal circumstances, a three-year vesting period, a cost-free allocation of shares in Fagerhult can be made to the participants, provided that certain conditions are met.

In order for the share awards to be eligible for the allotment of shares, participants are required to remain in employment within the Group and to retain their entire investment in Fagerhult shares acquired within the framework of the plan during the vesting period. Some of the allocated share awards (known as performance share awards) also require meeting a financial performance target related to Fagerhult's average earnings per share. For the plans approved by the 2015, 2016, 2017 and 2018 AGMs, all share awards are so-called performance share awards, meaning that they are conditional on a financial performance target.

The 2015 plan was concluded in 2018. The conditions for the performance share awards pertaining to average earnings per share for 2015–2016 were partially fulfilled and 8,070 shares were allocated to the participants.

For the remaining three plans, in accordance with the conditions for the plans, the remaining participants have acquired a total of around 69,600 shares in Fagerhult. A total of approximately 247,000 share awards have been allocated to plan participants, of which 15,940 to the CEO and 231,303 to other senior management.

For the 2016 plan, the financial performance target pertains to average earnings per share for the 2016–2017 financial years, while the financial performance target for the 2017 plan pertains to average earnings per share for the 2017–2018 financial years and the financial performance target for the 2018 plan pertains to average earnings per share for the 2018–2019 financial years. For the 2016 plan, achievement of the financial performance target was 100 per cent, which implied an allocation of 81,387 shares. Based on the profit for the year, this results in an impact of approximately SEK 0.00. Accordingly, a maximum of about 247,000 Fagerhult shares (including the 2016 plan) can be allocated under the terms of the three remaining plans. The valuation of the allocated share awards is based on the market price of the share at the time of allotment, with a deduction for the lack of dividend.

The total cost in 2018 for all share-savings plans was MSEK 5.4 (7.3) or SEK 0.05 (0.06) per share. Earnings per share at maximum allocation is estimated to be SEK 0.00 based on the profit for the year.

Note 3 | Financial income

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Interest income	3.9	2.6	40.0	40.2
Dividends	0.6	–	–	–
Exchange-rate gains	5.6	12.4	–	–
Total	**10.1**	**15.0**	**40.0**	**40.2**
Of which Group companies	–	–	39.0	39.8

Note 4 | Financial expenses

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Interest expenses	41.6	35.3	39.5	31.5
Exchange-rate losses	4.1	1.9	24.2	8.9
Other financial expenses	3.5	3.2	3.5	3.2
Total	**49.2**	**40.4**	**67.2**	**43.6**
Of which Group companies	–	–	0.8	0.4

Note 5 | Financial assets and financial liabilities

	2018			2017		
GROUP	IFRS 9 Category	Carrying amount	Fair value	IAS 39 Category	Carrying amount	Fair value
Financial assets						
Other shares and participations	2	18.7	18.7	3	18.3	18.3
Other non-current receivables	1	4.2	4.2	1	3.9	3.9
Trade receivables	1	925.0	925.0	1	837.7	837.7
Derivative instruments – held for trading	2	4.8	4.8	2	2.2	2.2
Cash and cash equivalents	1	808.4	808.4	1	949.9	949.9
Financial liabilities						
Long-term borrowings – hedge accounting	4	–	0.0	4	217.2	217.2
Non-current borrowings – no hedge accounting applied	4	2,371.6	2,371.6	4	2,467.4	2,467.4
Other non-current liabilities	3	249.3	249.3	2	162.0	162.0
Short-term borrowings – no hedge accounting applied	4	416.1	416.1	4	4.8	4.8
Trade payables	4	351.2	351.2	4	412.2	412.2
Other liabilities	3	118.7	118.7	2	–	–
Derivative instruments – held for trading	3	0.3	0.3	2	2.0	2.0

IFRS 9 Category
1 = Financial assets at amortised cost. 2 = Financial assets recognised at FVTPL.
3 = Financial liabilities recognised at FVTPL. 4 = Financial liabilities at amortised cost.

IAR 39 Categories
1 = Loans receivable and accounts receivable. 2 = Financial instruments measured at FVTPL. 3 = Available-for-sale financial assets.
4 = Financial liabilities at amortised cost.

Derivative instruments outstanding per 31 December 2018 concerning currency forward contracts of a nominal value of MSEK 91 (111).
Fair value based on observable data. Refer also to Note 30, Hedging.

Note 6 | Trade receivables and credit risks/provision for credit losses

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Maturity analysis of trade receivables outstanding				
Not-past-due trade receivables	579.6	569.0	–	–
Past-due trade receivables with no need for impairment:				
<3 months	293.0	233.2	–	–
3–12 months	36.6	30.1	–	–
>12 months	15.8	5.4	–	–
	345.4	268.7	–	–
Past-due trade receivables requiring impairment:				
<3 months	1.8	0.4	–	–
3–12 months	5.9	6.6	–	–
>12 months	20.7	25.0	–	–
	28.4	32.0	–	–
ECL allowances	–28.4	–32.0	–	–
Carrying amount	**925.0**	**837.7**	**–**	**–**
Of which covered by credit insurance	592.7	531.1	–	–
Change in provision for credit losses				
Opening provision	–32.0	–28.1	–	–
Acquisitions of subsidiaries	–	1.3	–	–
Confirmed losses	2.4	2.0	–	–
Reversed, unutilised provisions	3.2	0.7	–	–
Provision for the year	–5.4	–10.7	–	–
Translation differences	3.4	2.8	–	–
Closing provision	**–28.4**	**–32.0**	**–**	**–**

Note 7 | Income from shares in subsidiaries

	PARENT COMPANY	
	2018	2017
Dividends received	58.8	143.3
Total	**58.8**	**143.3**

Note 8 | Depreciation/amortisation and impairment

Amortisation of intangible assets in the Group was MSEK 52.3 (49.9) and depreciation of property, plant and equipment totalled MSEK 129.1 (108.3). Impairment amounted to MSEK 138.9 (0.0). Depreciation/amortisation and impairment are specified per function in the income statements as follows:

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Goodwill				
Other operating costs	138.9	–	–	–
Total	**138.9**	**–**	**–**	**–**
Brands				
Cost of goods sold	3.0	5.6	–	–
Total	**3.0**	**5.6**	**–**	**–**
Other intangible assets				
Cost of goods sold	47.2	42.5	–	–
Selling expenses	1.3	1.1	–	–
Administrative expenses	0.8	0.7	–	–
Total	**49.3**	**44.3**	**–**	**–**
Land and buildings				
Cost of goods sold	12.5	9.3	–	–
Selling expenses	0.6	0.3	–	–
Administrative expenses	2.5	2.1	–	–
Total	**15.6**	**11.7**	**–**	**–**
Plant and machinery				
Cost of goods sold	73.9	60.3	–	–
Total	**73.9**	**60.3**	**–**	**–**
Equipment, fixtures and fittings				
Cost of goods sold	7.9	12.3	–	–
Selling expenses	16.5	13.7	–	–
Administrative expenses	15.2	10.3	–	–
Total	**39.6**	**36.3**	**–**	**–**

Note 9 | Income tax/tax on profit for the year

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Current tax	162.7	169.2	45.8	42.6
Change due to altered tax rate in Sweden	0.1	–	–	–
Deferred tax	0.8	–11.1	–	–
Total	**163.6**	**158.1**	**45.8**	**42.6**
Difference between the Group's tax expense and the tax expense based on current rates				
Reported profit before tax	666.7	652.5	264.8	343.5
Tax according to current tax rates 22.0 (22.0) %	146.7	143.6	58.3	75.6
Change due to altered tax rate in Sweden	0.5	–	–	–
Tax effect of non-deductible expenses	5.9	7.1	0.3	0.3
Tax effect of non-taxable income	–7.6	–9.4	–12.7	–33.3
Effect of foreign tax rates	18.1	16.8	–	–
Income tax/tax on profit for the year recognised in profit or loss	**163.6**	**158.1**	**45.8**	**42.6**

Note 10 | Deferred tax

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Deferred tax expense/income for the year				
Deferred tax income referring to temporary differences	–16.6	–17.3	–	–
Deferred tax expense referring to temporary differences	17.5	6.2	–	–
Change due to altered tax rate in Sweden	–0.1	–	–	–
Total	**0.8**	**–11.1**	**–**	**–**

Temporary differences

Temporary differences referring to the following items have resulted in deferred tax liabilities and deferred tax assets. These items have indefinite useful lives.

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Deferred tax liabilities				
Surplus in acquired subsidiaries	294.1	247.9	–	–
Other intangible assets	24.7	10.6	–	–
Buildings	4.0	5.0	–	–
Machinery and equipment	–	1.3	–	–
Current receivables	–	0.1	–	–
Untaxed reserves	9.0	12.3	–	–
Non-current liabilities	2.9	2.3	–	–
Current liabilities	–	3.4	–	–
Total deferred tax liabilities	**334.7**	**282.9**	**–**	**–**
Deferred tax assets				
Buildings	1.5	1.3	–	–
Machinery and equipment	0.6	0.1	–	–
Other financial assets	0.9	0.4	–	–
Inventories	4.6	6.1	–	–
Current receivables	1.3	1.1	–	–
Pension provisions	7.2	6.9	–	–
Non-current liabilities	3.5	2.8	–	–
Current liabilities	9.6	13.2	–	–
Total deferred tax assets	**29.2**	**31.9**	**–**	**–**
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised, as a sale would not result in taxation.	1,435.2	1,190.2	–	–

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Change in deferred tax assets				
Opening balance	31.9	20.9	–	–
Change in temporary differences recognised in profit or loss	–3.1	10.0	–	–
Change in temporary differences recognised in equity	0.9	0.8	–	–
Translation differences	–0.5	0.2	–	–
Closing balance	**29.2**	**31.9**	**–**	**–**
Change in deferred tax liabilities				
Opening balance	282.9	131.1	–	–
Acquisitions of subsidiaries	43.9	148.7	–	–
Change in temporary differences recognised in profit or loss	–2.3	–1.1	–	–
Translation differences	10.2	4.2	–	–
Closing balance	**334.7**	**282.9**	**–**	**–**

Note 11 | Intangible assets

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Goodwill				
Opening cost	1,831.0	1,626.1	–	–
Acquisitions of subsidiaries	398.5	214.3	–	–
Purchases	–	3.6	–	–
Translation differences	9.3	–13.0	–	–
Closing accumulated cost	2,238.8	1,831.0	–	–
Opening impairment	–	–	–	–
Impairment for the year	–138.9	–	–	–
Closing accumulated impairment	–138.9	–	–	–
Carrying amount	**2,099.9**	**1,831.0**	–	–
Brands				
Opening cost	739.7	370.1	–	–
Acquisitions of subsidiaries	177.6	357.3	–	–
Purchases	–	6.9	–	–
Translation differences	16.4	5.4	–	–
Closing accumulated cost	933.7	739.7	–	–
Opening amortisation	–40.5	–34.9	–	–
Amortisation for the year	–3.0	–5.6	–	–
Translation differences	–0.9	–	–	–
Closing accumulated amortisation	–44.4	–40.5	–	–
Carrying amount	**889.3**	**699.2**	–	–
Other intangible assets				
Opening cost	387.5	259.5	–	–
Acquisitions of subsidiaries	3.1	80.7	–	–
Purchases	33.0	46.7	–	–
Sales and disposals	–6.0	–	–	–
Translation differences	7.6	0.6	–	–
Closing accumulated cost	425.2	387.5	–	–
Opening amortisation	–208.3	–152.1	–	–
Acquisitions of subsidiaries	–0.9	–10.4	–	–
Amortisation for the year	–49.3	–44.3	–	–
Sales and disposals	6.0	–	–	–
Translation differences	–2.0	–1.5	–	–
Closing accumulated amortisation	–254.5	–208.3	–	–
Carrying amount	**170.7**	**179.2**	–	–

The item Brands includes brands with carrying amounts of MSEK 869.2 (677.4) and indefinite useful lives. These assets are subject to annual impairment testing.

The item Other intangible assets includes capitalised expenditure for product development which is internally generated, at a carrying amount of MSEK 21.7 (18.3) and an IT system with a carrying amount of MSEK 75.0 (70.7) and Technology valued at MSEK 65.1 (79.0) upon acquisition.

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Construction in progress				
Opening cost	0.1	0.0	–	–
Land improvements during the year	–	0.1	–	–
Reclassifications	–0.1	–	–	–
Carrying amount	**0.0**	**0.1**	–	–

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

	BRANDS		GOODWILL	
	2018	2017	2018	2017
Northern Europe	10.2	9.8	131.3	128.8
UK and Ireland	18.3	18.0	244.0	238.6
Western and Southern Europe	802.0	605.0	1,448.5	1,141.6
Africa, Asia and the Pacific	38.7	44.6	276.1	322.0
Total	**869.2**	**677.4**	**2,099.9**	**1,831.0**

Each year, the Group performs a test for each CGU to assess whether any need for impairment exists for goodwill and brands in line with the applied accounting policies. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future payments expected to arise from an asset during its useful life, including the calculated residual value at the end of the asset's useful life. These calculations assume estimated future cash flows based on financial forecasts for the coming five-year period, as approved by management. To extrapolate cash flows beyond this period, a growth rate of 1.0–2.0 (1.0–2.5) per cent has been applied. The cash-flow method has been applied.

Management has designated a budgeted operating margin based on the previous results and on expectations of future market development. The discount rate before tax which has been applied is 10 per cent (10) for all CGUs except Africa, Asia and the Pacific where a rate of 12 per cent (12) is applied. At present, the risk-free interest rate is historically low. After taking into account the risk-free interest rate and stock market risk premiums, the discount rate has been lowered compared with the year earlier.

An impairment of MSEK 138.9 has been performed for the Western and Southern Europe segment as a result of changed growth assumptions. There is no need for impairment on assets other than goodwill in this segment. Per 31 December 2018, the recoverable amount for the CGU Western and Southern Europe was MSEK 1,448.5.

Significant assumptions
Market share and growth
The current market share has been applied to future periods. Forecasts are based on previous experience and on external sources of information. The estimated growth rate used to extrapolate cash flows beyond the budget period was:

Northern Europe	1.0% (1.0)
UK and Ireland	1.0% (1.0)
Western and Southern Europe	2.0% (2.5)
Africa, Asia and the Pacific	2.0% (2.0)

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

Exchange rates
Exchange-rate forecasts are based on the current listed exchange rates and on listed forward rates. The forecast is in accordance with external sources of information.

Variables applied
Discount rate before tax of 10 per cent (10) for all CGUs except Africa, Asia and the Pacific where a rate of 12 per cent (12) is applied.

Exchange rates
EUR 10.25 (9.58)
GBP 11.60 (10.97)

Sensitivity analysis
If the discount rate before tax used to calculate value in use for the CGU Western and Southern Europe had been 1 per cent higher than the management's assessment (11 per cent instead of 10 per cent), the Group would have reported a further impairment of the carrying amount of MSEK 336. If the estimated growth rate used to extrapolate cash flows beyond the budget period was 1 per cent instead of the management's assessment of 2 per cent, the Group would have recognised a further impairment of the carrying amount of MSEK 222.

The recoverable amount for other CGUs exceeds the carrying amounts for goodwill and brands with indefinite useful lives by a significant margin. This also applies to each individual assumption provided that:

- the discount rate before taxes was 1 per cent (1) higher.
- the estimated growth rate used to extrapolate cash flows beyond the budget period was 0 per cent (0).

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

Note 12 | Property, plant and equipment

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Land and buildings				
Opening cost	474.5	222.9	–	–
Acquisitions of subsidiaries	28.9	244.0	–	–
Purchases	8.3	7.6	–	–
Sales and disposals	–38.7	–1.2	–	–
Translation differences	18.1	1.2	–	–
Closing accumulated cost	491.1	474.5	–	–
Opening depreciation	–213.3	–110.9	–	–
Acquisitions of subsidiaries	–13.2	–90.3	–	–
Depreciation for the year	–15.6	–11.7	–	–
Sales and disposals	22.2	1.1	–	–
Translation differences	–6.0	–1.5	–	–
Closing accumulated depreciation	–225.9	–213.3	–	–
Carrying amount	**265.2**	**261.2**	–	–
Plant and machinery				
Opening cost	1,054.3	856.7	–	–
Acquisitions of subsidiaries	36.2	133.5	–	–
Purchases	83.6	74.9	–	–
Sales and disposals	–14.2	–8.7	–	–
Translation differences	10.4	–2.1	–	–
Closing accumulated cost	1,170.3	1,054.3	–	–
Opening depreciation	–817.8	–648.7	–	–
Acquisitions of subsidiaries	–24.9	–118.7	–	–
Depreciation for the year	–73.9	–60.3	–	–
Sales and disposals	14.2	8.5	–	–
Translation differences	–9.6	1.4	–	–
Closing accumulated depreciation	–912.0	–817.8	–	–
Carrying amount	**258.3**	**236.5**	–	–
Equipment, fixtures and fittings				
Opening cost	565.9	407.8	–	–
Acquisitions of subsidiaries	34.1	125.8	–	–
Purchases	34.1	37.4	–	–
Sales and disposals	–67.0	–11.0	–	–
Translation differences	15.0	5.9	–	–
Closing accumulated cost	582.1	565.9	–	–
Opening depreciation	–428.4	–302.7	–	–
Acquisitions of subsidiaries	–17.1	–95.0	–	–
Depreciation for the year	–39.6	–36.3	–	–
Sales and disposals	60.8	10.6	–	–
Translation differences	–12.7	–5.0	–	–
Closing accumulated depreciation	–437.0	–428.4	–	–
Carrying amount	**145.1**	**137.5**	–	–
Construction in progress				
Opening cost	50.4	22.6	–	–
Acquisitions of subsidiaries	0.5	0.4	–	–
Land improvements during the year	–	29.1	–	–
Reclassifications	–17.6	–2.1	–	–
Translation differences	1.2	0.4	–	–
Carrying amount	**34.5**	**50.4**	–	–

Note 13 | Financial assets

	PARENT COMPANY	
	2018	2017
Shares and participations in subsidiaries		
Opening cost	616.6	616.3
Carrying amount	**616.6**	**616.6**
Receivables from subsidiaries		
Opening receivables	2,838.8	1,913.6
Change during the year	341.0	925.2
Closing receivables	**3,179.8**	**2,838.8**

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Other shares and participations				
Opening cost	18.3	11.8	–	–
Acquisitions during the year	0.4	6.5	–	–
Closing receivables	**18.7**	**18.3**	–	–
Other non-current receivables				
Opening receivables	3.9	1.3	–	–
New receivables	0.3	2.6	–	–
Closing receivables	**4.2**	**3.9**	–	–

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

Note 14 | Shares and participations in subsidiaries

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

	Corporate Identity Number	Registered office	No. of shares	Carrying amount
Subsidiaries:				
Fagerhults Belysning AB	556321-8659	Habo	2,500	266.1
Fagerhult Retail AB	556337-4924	Bollebygd	5,000	71.7
Whitecroft Lighting Holdings Ltd, UK	03848868	Ashton-under-Lyne	11,915	275.6
Elenco Lighting AB	556035-5090	Borås	1,800	2.9
Cloud GmbH, Germany	HBR 78293	Düsseldorf	1	0.3
Sub-subsidiaries:				
Fagerhults Belysning Sverige AB	556122-2000	Habo	1000	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
I-Valo OY, Finland	1571418-8	Iittala	2,020	84.9
Fagerhult Oü, Estonia	10703636	Tallinn	5,400	1.6
Fagerhult BV, the Netherlands	96121	IJsselstein	2,250	10.3
Waco NV, Belgium	BE 0492.822.044	Baaigem	9,400	20.1
Fagerhult GmbH, Germany	13135 B	Hamburg	1	10.3
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	672.3
LED Linear GmbH, Germany	HRB8188	Neukirchen-Vluyn	1	376.6
LED Linear USA Inc, USA	SRV 131038296	Niagara Falls	3,000	40.8
LED Linear UK Ltd., UK	8280741	London	150	28.9
Arlight Aydinlatma A.S., Turkey	790,361,767	Kazan/Ankara	50,000	328.8
Lighting Innovations Africa (pty) Ltd, South Africa	2015/099974/07	Port Elizabeth	1	18.4
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	51.6
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6
Fagerhult Lighting Ltd, UK	3488638	London	40,000	0.5

	Corporate Identity Number	Registered office	No. of shares	Carrying amount
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	5.6
Fagerhult Sp.z.o.o, Poland	260213	Warsaw	1000	0.1
Fagerhult France, France	391138385	Lyon	4,200	33.1
Fagerhult S.L., Spain	B84215722	Madrid	3,010	15.6
Commtech Commissioning Services S.A., Spain	A83770263	Madrid	60,120	7.2
Fagerhult Lighting System (Suzhou) Co. Ltd, China	3200044439	Suzhou	1	22.0
Fagerhult Trading (Hongkong) Co., Ltd	39362546-000-05-08-5	Hong Kong	1	0.0
Eagle Lighting (Australia) Pty Ltd, Australia	124400933	Melbourne	500,001	32.5
Organic Response Pty Ltd, Australia	ACN 618 122 277	Melbourne	100	5.1
Fagerhult (NZ) Ltd, New Zealand	3233074	Christchurch	1	1.5
Fagerhult SPb, Russia	1097847074544	Saint Petersburg	1	1.1
WE-EF Leuchten GmbH, Germany	HRB 101311	Bispingen	1	3.4
WE-EF Leuchten GmbH & Co. KG, Germany	HRA 100660	Bispingen	1	313.8
WE-EF Trading & Design GmbH, Germany	HRB 101286	Bispingen	1	0.3
WE-EF Lighting Co. Ltd, Thailand	105524015230	Bangplee	16,800	132.9
WE-EF Helvetica SA, Switzerland	CHE-115970534/CH-6	Geneva	1,000	11.1
WE-EF Lighting Ltd., UK	5925012148	Nottingham	30,000	3.9
WE-EF Lighting Pty. Ltd, Australia	64570065	Braeside	50,000	110.0
WE-EF Lighting USA LLC, USA	2922528	Warrendale	1	23.8
WE-EF Lumiere S.A.S., France	398371088	Satolas-et-Bonce	5,000	202.8
Flux Eclairage S.A.S, France	504356346	Satolas-et-Bonce	4,000	52.5
Veko Lightsystems International B.V., the Netherlands	37041869	Shagen	40,000	678.1
Veko Lightsystems GmbH, Germany	HRB 25170	Duisburg	1	1.2
Veko Lightsystems S.L., Spain	15013513	Marbella-Malaga	1	0.0

Note 15 | Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Prepaid rent	17.0	16.6	–	–
Insurance	7.7	6.7	–	–
Licences	4.1	4.7	–	–
Consultancy fees	13.1	3.3	7.6	0.4
Supplier bonus	2.5	7.1	–	–
Advertising and marketing	2.0	2.9	–	–
Taxes and social security contributions	2.8	3.5	–	–
Non-invoiced income	1.7	3.3	–	14.2
Financial fees	4.4	7.6	3.8	6.5
Other items	6.2	8.6	0.1	0.4
Total	**61.5**	**64.3**	**11.5**	**21.5**

Note 16 | Inventories

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Raw materials and consumables	393.7	350.6	–	–
Work in progress	71.4	53.6	–	–
Finished products and goods for resale	374.4	319.8	–	–
Goods in transit	17.9	37.5	–	–
Total	**857.4**	**761.5**	–	–

Expenses arising for inventories that have been expensed are included in the item Cost of goods sold and amounted to MSEK 2,036.7 (1,952.4). Provision for obsolescence is included in the value of the inventories. Impairment amounted to MSEK 8.8 (33.7) and the amount recovered from previous years amounted to MSEK 26.6 (9.3). The previous year's provisions are reversed when goods are divested or scrapped.

Note 17 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facilities at year end amounted to MSEK 250.0 (250.0) for the Group and MSEK 250.0 (250.0) for the Parent Company.

The Group's interest-bearing borrowings	GROUP		PARENT COMPANY	
	2018	**2017**	**2018**	**2017**
Maturities for long-term loans:				
Within one year	416.1	4.8	411.0	–
Between one and five years	2,371.3	2,378.6	2,706.8	2,354.2
After five years	0.3	306.0	–	306.0
Total	**2,787.7**	**2,689.4**	**3,117.8**	**2,660.2**

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

	2018		2017	
	Interest, %	**Liability, SEK**	**Interest, %**	**Liability, SEK**
Average contracted interest rate on borrowings:				
Long-term borrowings, EUR	1.2	2,157.1	1.0	2,465.8
Long-term borrowings, GBP	1.8	129.1	1.7	126.9
Long-term borrowings, ZAR	9.5	84.5	9.5	91.1
Long-term borrowings, THB	5.0	0.9	2.0	0.8
Total		**2,371.6**		**2,684.6**
Short-term borrowings, EUR	1.1	415.5	2.0	4.4
Short-term borrowings, THB	2.0	0.5	2.0	0.3
Short-term borrowings, GBP	1.8	0.1	5.0	0.1
Total		**416.1**		**4.8**

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

Note 18 | Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2018	**2017**	**2018**	**2017**
Accrued salaries and remuneration	161.9	151.1	7.4	7.7
Customer bonuses	56.0	55.2	–	–
Accrued social security contributions	37.9	36.1	2.0	4.0
Claims	14.6	15.8	–	–
Financial items	13.2	23.3	2.9	2.7
Consultancy fees	7.5	17.1	0.9	1.2
Rent	12.2	11.6	–	–
Royalties	7.0	6.6	–	–
Audit fees	5.3	3.6	–	–
Shipping	2.2	4.3	–	–
Repair and maintenance	0.5	3.8	–	–
Temporary employees	0.3	4.6	–	–
Other items	44.4	38.7	–	0.2
Total	**363.0**	**371.8**	**13.2**	**15.8**

Note 19 | Pledged assets

	GROUP		PARENT COMPANY	
	2018	**2017**	**2018**	**2017**
For own liabilities				
Floating charges	–	–	–	–
Real estate mortgages	46.4	47.2	–	–
Total pledged assets	**46.4**	**47.2**	**–**	**–**

Note 20 | Contingent liabilities

	GROUP		PARENT COMPANY	
	2018	**2017**	**2018**	**2017**
Guarantee FPG	0.9	0.9	–	–
Guarantees, customs authorities	0.5	0.6	–	–
Guarantees for subsidiaries	–	–	45.1	45.4
Total contingent liabilities	**1.4**	**1.5**	**45.1**	**45.4**

Note 21 | Provisions for pensions and similar commitments

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Provisions for pensions PRI (interest-bearing)	66.3	65.9	–	–
Provisions for other pensions	27.2	24.3	–	–
Total	**93.5**	**90.2**	**–**	**–**

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

Pension insurance with Alecta
ITP2 Plan commitments for retirement pensions and family pensions for salaried employees in Sweden are guaranteed through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, Classification of ITP plans financed by insurance in Alecta, this is a defined-benefit multi-employer plan. For the 2018 financial year, the company did not have access to information that would enable it to report its proportional share of the plan's obligations, plan assets and costs, which means the plan could not be reported as a defined-benefit plan. The ITP 2 pension plan which is secured through insurance with Alecta is, therefore, reported as a defined-contribution plan. Premiums for defined-benefit retirement and family pensions are calculated individually and depend, inter alia, on the insured party's salary, previously earned pension rights and remaining length of service. Expected fees for the next reporting period for ITP 2 insurance with Alecta amount to MSEK 27.2 (2017: MSEK 25.0). The Group's share of the total contributions to the plan is negligible. The collective funding ratio is the market value of Alecta assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, actions must be taken to create the conditions enabling the consolidation level to revert to the normal interval. For low consolidation levels, one measure could be raising the contractual premiums for taking up new insurance and expanding existing benefits. With a high level consolidation, one measure could be to implement premium reductions. At the end of 2018, Alecta's surplus in the form of the collective consolidation level was 142 per cent (2017: 154 per cent).

	GROUP	
	2018	2017
DEFINED-BENEFIT PLANS		
The amounts recognised in the consolidated income statement are:		
Current service cost	2.8	1.2
Interest expenses	1.8	1.8
Total	**4.6**	**3.0**
Specification of changes in net debt recognised in the consolidated balance sheet:		
Net debt at beginning of year recognised in the approved balance sheet	90.2	68.3
Acquisitions of subsidiaries	–	23.0
Net cost recognised in profit or loss	4.6	3.0
Benefit payments	–3.6	–2.8
Settlement of pension plan	1.6	–3.5
Actuarial gains (–)/losses (+)	0.7	2.2
Net debt at year end	**93.5**	**90.2**
The amounts recognised in the balance sheet are determined as follows:		
Present value of commitments	93.5	90.2
Net debt at year end	**93.5**	**90.2**
TOTAL PENSION COSTS		
Total pension costs recognised in the consolidated income statement:		
Total costs for defined-benefit plans	4.6	3.0
Total costs for defined-contribution plans	71.8	66.0
Total pension costs	**76.4**	**69.0**
Pension costs are allocated in the consolidated income statement among the following items:		
Cost of goods sold	24.1	22.9
Selling expenses	32.7	30.5
Administrative expenses	17.8	13.8
Financial expenses	1.8	1.8
Total	**76.4**	**69.0**
ACTUARIAL ASSUMPTIONS		
Significant actuarial assumptions as of the closing date (expressed as weighted averages)		
Discount rate	2.05	2.15
Future annual pension growth rate	2.00	1.90

Assumptions regarding future life expectancy are based on the insurance study DUS14.

Sensitivity analysis
If the discount rate decreases 0.5 per cent, the present value of obligations will rise 6.9 (6.9) per cent. If the discount rate increases 0.5 per cent, the present value of obligations will decline 6.0 (6.1) per cent. If inflation decreases 0.5 per cent, the present value of obligations will decline 6.0 (6.1) per cent. If inflation increases 0.5 per cent, the present value of obligations will increase 6.8 (6.8) per cent. A change of one year in useful life affects the present value of obligations by 4.2 (3.9) per cent.

Note 22 | Other non-current liabilities

Other non-current liabilities pertain exclusively to liabilities for estimated earnout payments in acquisitions.

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
LED Linear GmbH, Germany	–	132.2	–	–
LED Linear USA Inc, USA	–	10.5	–	–
LED Linear UK Ltd., UK	20.1	19.3	–	–
Veko Lightsystems International B.V.	347.9	–	–	–
	368.0	**162.0**	**–**	**–**
Of which recognised as current liability	–118.7	–	–	–
Closing liabilities	**249.3**	**162.0**	**–**	**–**
Change in liabilities for estimated earnout payments.				
Opening liabilities	162.0	238.5	–	–
Liabilities paid:				
Lighting Innovations (pty) Ltd, South Africa	–	–12.9	–	–
LED Linear GmbH, Germany	–	–58.6	–	–
New liabilities:				
Veko Lightsystems International B.V.	347.9	–	–	–
LED Linear UK Ltd., UK	–	18.6	–	–
Reversal of liabilities in profit or loss:				
LED Linear GmbH, Germany	–132.2	–	–	–
LED Linear USA Inc, USA	–10.5	–	–	–
Lighting Innovations (pty) Ltd, South Africa	–	–23.9	–	–
Translation differences	0.8	0.3	–	–
Closing liabilities	**368.0**	**162.0**	**–**	**–**
Of which recognised as current liability	**118.7**	**–**	**–**	**–**

The conditional earnout payment recognised regarding the acquisition of LED Linear GmbH and LED Linear USA Inc. is based on certain predetermined profit levels being met during 2016 to 2018. If contractual goals had been met, an earnout payment would be disbursed during the 2019 financial year. On 31 December 2018, the entire conditional earnout payment was reversed because the actual profit for the company did not meet the given levels in the period in question. A profit of MSEK 148.5 was recognised in the item Other revenue in profit or loss for the 2018 financial year.

Note 23 | Reconciliation net debt

Net debt and changes in net debt are analysed below

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Cash and cash equivalents	808.4	949.9	328.7	547.9
Borrowings – due in <12 months (incl. overdraft facility)	–416.1	–4.8	–411.0	0.0
Borrowings – due in >12 months	–2,371.6	–2,684.6	–2,706.8	–2,660.2
Net debt	**–1,979.3**	**–1,739.5**	**–2,789.1**	**–2,112.3**
Cash and cash equivalents	808.4	949.9	328.7	547.9
Borrowings – floating interest	–2,787.7	–2,689.4	–3,117.8	–2,660.2
Net debt	**–1,979.3**	**–1,739.5**	**–2,789.1**	**–2,112.3**

GROUP	**Cash and cash equivalents/ overdraft facility**	**Borrowings due <12 months**	**Borrowings due >12 months**	**Total**
Net debt at 1 January 2017	731.6	–133.3	–1,752.1	–1,153.8
Cash flow from borrowings		128.4	–837.2	–708.8
Borrowings in acquired companies			–71.0	–71.0
Cash flow from other activities	224.2			224.2
Exchange-rate differences	–5.9	0.1	–24.3	–30.1
Net debt at 31 December 2017	**949.9**	**–4.8**	**–2,684.6**	**–1,739.5**
Cash flow from borrowings		–411.3	306.4	–104.9
Cash flow from other activities	–160.6			–160.6
Exchange-rate differences	19.1	0.0	6.6	25.7
Net debt at 31 December 2018	**808.4**	**–416.1**	**–2,371.6**	**–1,979.3**

PARENT COMPANY	Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Total
Net debt at 1 January 2017	184.8	–133.0	–1,742.3	–1,690.5
Cash flow from borrowings		133.0	–917.9	–784.9
Cash flow from other activities	363.1			363.1
Net debt at 31 December 2017	**547.9**	**0.0**	**–2,660.2**	**–2,112.3**
Cash flow from borrowings		–411.0	–46.6	–457.6
Cash flow from other activities	–219.2			–219.2
Net debt at 31 December 2018	**328.7**	**–411.0**	**–2,706.8**	**–2,789.1**

Note 24 | Purchases and sales between Group companies and other related parties

The Parent Company's total income from operations of MSEK 15.1 (14.2) refers to remuneration from subsidiaries for services performed. There have been no other purchases between the Parent Company and the subsidiaries or other related parties. Remuneration to members of the Board, the CEO and other senior management is reported in Note 2.

Note 25 | Average number of employees

	2018		2017	
	Number of employees	Men %	Number of employees	Men %
Parent Company	**7**	**71**	**6**	**67**
Subsidiaries				
Sweden	728	66	749	64
UK	657	73	713	73
Germany	625	71	555	72
Australia	192	64	169	66
South Africa	183	70	172	70
Thailand	167	61	148	61
Turkey	165	81	176	86
China	129	30	129	32
The Netherlands	117	73	32	84
France	108	74	93	76
Finland	59	64	57	61
Spain	52	69	42	74
Norway	46	72	47	72
USA	34	74	28	72
Denmark	25	76	26	69
United Arab Emirates	23	70	27	74
Poland	23	78	18	89
Russia	17	41	25	40
Estonia	8	50	8	63
Ireland	7	71	5	80
New Zealand	5	80	6	100
Belgium	4	75	10	80
Switzerland	2	0	2	0
Total in subsidiaries	**3,377**	**68**	**3,235**	**69**
Group total	**3,384**	**68**	**3,241**	**69**

Board members and senior management	2018		2017	
	Number	Men %	Number	Men %
Group				
Board members	6	67	6	67
CEO and other senior management	39	92	38	87
Parent Company				
Board members	6	67	6	67
CEO and other senior management	4	50	4	75

Note 26 | Leasing agreements

Operational leasing agreements	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Leasing fees for the year	139.9	84.5	0.1	0.1
The nominal value of future minimum leasing fees for non-cancellable leasing agreements				
Within one year	126.7	134.3	0.1	0.1
Between one and five years	317.6	208.7	0.1	0.2
After five years	337.2	237.3	–	–
Total	**781.5**	**580.3**	**0.2**	**0.3**

In the consolidated accounts, operating leases essentially comprise leased properties/premises.
Of the leasing fees for the year and future leasing fees, properties/premises accounted for MSEK 834.0 (598.3).

Note 27 | Remuneration to auditors

PricewaterhouseCoopers	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Audit	6.2	4.6	0.3	0.3
Audit activities other than audit assignment	0.3	0.7	–	–
Tax consulting	3.7	2.0	0,5	0.5
Other services	2.7	–	–	–
Total	**12.6**	**7.3**	**0.8**	**0.8**
Other accounting firms				
Audit	2.1	1.7	–	–
Audit activities other than audit assignment	0.3	0.1	–	–
Tax consulting	0.7	0.5	–	–
Total	**3.1**	**2.3**	**–**	**–**

Out of the remuneration to the auditors for 2018 the following relates to the audit firm Öhrlings PricewaterhouseCoopers AB: Audit MSEK 2.2 (1.7), audit activities other than audit assignment MSEK 0.6 (0.7), tax consulting MSEK 2.6 (1.3) and other services MSEK 2.9 (0). Other services mainly refers to so-called due diligence consulting.

Note 28 | Expenses by nature

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Raw materials and consumables	2,109.1	1,933.7	–	–
Changes in inventories of finished products and goods for resale, and work in progress	–72.4	18.7	–	–
Expenses for employee benefits (Notes 2 and 21)	1,713.5	1,527.3	27.9	31.3
Transportation expenses	113.5	103.4	–	–
Expenditure for own properties and rented premises	136.2	118.4	1.2	1.2
Advertising and selling expenses	154.8	123.0	1.5	0.7
External services	83.1	65.6	8.1	6.0
Temporary employees	71.4	66.0	–	–
Travel expenses	54.5	48.8	1.6	1.3
Consumables	46.7	43.5	–	0.4
Own vehicle expenses	53.4	47.4	0.3	0.4
Contract manufacturing	35.0	21.3	–	–
Depreciation/amortisation and impairment (Notes 8, 11 and 12)	320.3	158.2	–	–
Other costs	296.9	274.7	9.9	6.3
Total	**5,116.0**	**4,550.0**	**50.5**	**47.6**

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

Note 29 | Expenses for product development

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Expensed overheads for product development	199.2	181.6	–	–

Note 30 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged. Currency hedges are primarily made using currency forward contracts. This refers primarily to payments from foreign subsidiaries. The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared with the expected flows during the coming seven months was, as per the closing date, NOK 55 per cent, EUR 28 per cent, GBP 55 per cent, AUD 49 per cent, CNY 54 per cent and PLN 58 per cent. The nominal value of these hedging contracts was MNOK 46.1 (60.0), MEUR 2.2 (3.5), MGBP 3.5 (2.8), MAUD 2.5 (1.8), MCNY 35.6 (28.0) and MPLN 3.6 (4.6). The Group does not apply hedge accounting for these contracts. Had the Group redeemed its outstanding contracts on the closing date at the current forward rate, the earnings impact would have been a positive MSEK 4.8 (negative: 0.2). The Group applies hedge accounting where the purchase consideration for acquired companies has to some extent been financed through borrowing in the acquired company's local currency. Net assets abroad that are subject to hedge accounting amount to MSEK 711 (504) and accumulated borrowings of MSEK 327 (217), which reflects a hedging quotient of 46 (43) per cent. Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 4.3 (expense: 1.8) before deferred tax of MSEK 0.8 (0.4). Accumulated translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 15.9 before deferred tax of MSEK 3.4.

Refer also to Note 36.

Note 31 | Changes in the Group's composition – Acquisitions

Acquired companies

Veko Lightsystems International B.V.

To strengthen and consolidate the Fagerhult Group's strategic position in the professional lighting market, and to access a unique range of complementary products, on 9 March 2018 Fagerhult signed an agreement to acquire 100 per cent of the shares in Veko Lightsystems International B.V. (Veko), domiciled in Schagen, the Netherlands.

Veko designs and manufactures linear LED lighting solutions for industrial applications. The solutions consist of LED modules and luminaires with integrated or separate control systems. Typical application areas are warehouses and distribution centres, where we see an increased demand due to e-commerce, as well as data centres, workshops and sport facilities. Veko has established a strong presence in the markets in the Netherlands, Germany, Belgium and the UK.

By the end of December 2017, Veko had 130 employees, sales of MEUR 37 and a profitability level significantly higher than the Fagerhult Group's. Fagerhult is paying an initial MEUR 31.5 (cash- and debt-free) for 100 per cent of the shares in Veko Lightsystems International BV.

An earnout payment of MEUR 9.5 can be paid annually from 2019 to 2021, tied to the company's performance. Further, an additional 5.0 MEUR earnout can also be paid based on the cumulative performance from 2018–2020. The transaction is being financed with existing cash and new credit facilities.

Based on our analysis, goodwill (including labour) amounts to approximately MEUR 38.4. Identified intangible assets aside from goodwill consist of a brand amounting to MEUR 17.1 The value of the brand has been calculated based on an indefinite useful life. Goodwill comprises labour and the opportunities created through future product offerings, new markets and customers. Goodwill is supported by the Veko group's growth potential and strong market position.

Synergies include the following:

- Sales synergies, where the Fagerhult Group can achieve increased sales through marketing Veko's range of lighting solutions to the Group's customers.
- Cost synergies, where Fagerhult can obtain lower prices on components from suppliers, who Veko share, mainly related to higher purchase volumes.

The earnout is based on future financial performance and the value is based on the expected outcome. The maximum outcome is MSEK 347.9.

The consideration consists of the following components:

Cash paid	327.8
Conditional earnout	347.9
Total consideration	**675.7**
Net assets acquired	277.2
Goodwill	398.5

The company had an impact of MSEK 303.2 on Group sales and an impact of MSEK 55.8 on profit after tax. If the company had been part of the Group from the beginning of the year, this would have meant an increase of around MSEK 460 in sales and of approximately MSEK 80 in profit after tax.

The assets and liabilities arising from the acquisition	**Fair value**
Cash and cash equivalents	23.6
Property, plant and equipment	40.1
Financial assets	0.1
Intangible assets	180.7
Inventories	45.9
Receivables	93.1
Liabilities	–61.9
Deferred tax liabilities	–44.4
Net assets	**277.2**
Net assets acquired	277.2
Cash purchase consideration	327.8
Cash and cash equivalents in the acquired company	–23.6
Transaction costs	2.4
Change in consolidated cash and cash equivalents on acquisition	**306.6**

The nominal value of the acquired receivables was MSEK 93.1 and the fair value amounted to MSEK 93.1. Transaction costs amounted to MSEK 2.4 and were recognised under the item Administrative expenses in the 2018 income statement.

Note 32 | Contractual assets and liabilities

The Group's contractual assets and liabilities pertain primarily to non-invoiced income, see Note 15 and liabilities to customers in the form of customer bonuses, see Note 18 and received orders, undelivered (order book). Per 31 December 2018, received orders, undelivered amounted to MSEK 436.3 (406.8), of which the majority pertains to deliveries for 2019.

Note 33 | Share capital

The share capital in AB Fagerhult totals SEK 65,535,000 (65,535,000) distributed amongst 115,650,000 (115,650,000) shares, with a quotient value of SEK 0.57 (0.57) per share. The number of treasury shares was 1,149,708, with a quotient value of SEK 655,334. All shares outstanding entitle the holder to equal participation in the Parent Company's assets and profit and are fully paid-up. Each share entitles the holder to one vote.

	2018	2017
Change in the number of shares outstanding		
Number of shares outstanding at beginning of year	114,492,222	37,939,323
3-for-1 share split	–	75,878,646
Allocation of treasury shares; refer to Note 2.	8,070	674,253
Number of shares outstanding at year end	**114,500,292**	**114,492,222**

Note 34 | Parent Company

The Parent Company's business name is Aktiebolaget Fagerhult. The company is a limited liability company, registered with the Swedish Companies Registration Office, with its registered office in the County of Jönköping, the Municipality of Habo, and with the Corporate Identity Number 556110-6203. The company's visiting address is Fagerhult, Habo, Sweden. AB Fagerhult is the Parent Company in the Fagerhult Group, one of Europe's leading lighting groups. The Group develops, manufactures and markets lighting systems for public environments. At year end, AB Fagerhult had approximately 5,774 shareholders. The ten largest shareholders together hold 85.5 (84.1) per cent of the shares outstanding.

Ownership structure (at 31 Dec 2018)

Shareholder	No. of shares	%
Investment AB Latour	55,861,200	48.8
Lannebo Fonder	8,161,202	7.1
The Svensson family, foundation and company	7,885,199	6.9
FMR, Fidelity (US)	7,323,923	6.4
Swedbank Funds	5,651,121	4.9
Nordea Funds	3,440,831	3.0
JP Morgan	3,078,508	2.7
The Palmstierna family	3,018,600	2.6
Small business funds, Nordic (FI)	2,101,110	1.8
SEB Funds	1,374,444	1.2
Handelsbanken Funds	972,596	0.8
Spiltan Fonder	934,725	0.8
Other	14,696,833	12.8
Number of shares outstanding at the end of the period	**114,500,292**	**100.0**

Note 35 | Proposed appropriation of profits

The Group's retained earnings according to the consolidated balance sheet amount to MSEK 2,096.9 (1,818.7).

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

Profit brought forward	250.1
Net profit for the year	219.0
Total	**469.1**

The total number of dividend-bearing shares on 14 March amounted to 125,745,097. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders, SEK 2.00 per share	251.5
To be carried forward	217.6
Total	**469.1**

Note 36 | Risks

FINANCIAL RISKS

Currency risk

Transaction exposure

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

Aside from currency risks on sales by the Swedish companies, risks also arise from the import of raw materials and components. Altogether, the Swedish companies have a surplus inflow of foreign currency. The direct commercial foreign exchange flow, after net calculations of flows in the same currencies, shows a surplus of MSEK 345 (351). In addition to this, there is also an indirect impact in conjunction with the purchase of raw materials and components. This results, over time, in a lower net exposure for the Group.

The Group's policy is to hedge all significant net cash flows. Incoming flows of foreign currency should be used for payment in the same currency. In addition, a certain portion of the anticipated net inflow from sales and purchases is hedged by means of forward contracts after individual assessment at 50 per cent for the coming six-month period. On statistical assessment of the foreign-exchange position, a change in the Swedish krona against other currencies of 1 per cent, with all other variables being constant, would impact the Group's earnings by about MSEK 4 (4). The financial instruments are managed by the Parent Company's senior management. The Group does not apply hedge accounting for these contracts.

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for the year. The exposure of the Group's net assets outside of Sweden has increased as operations there have changed from previously pertaining to sales companies, to now also including production units.

At the closing date, net assets in foreign companies corresponded to MSEK 2,277 (1,904) including goodwill. The Group applies hedge accounting where the purchase consideration for acquired companies has to some extent been financed through borrowing in the acquired company's local currency. Net assets abroad that are subject to hedge accounting amount to MSEK 711 (504) and accumulated borrowings of MSEK 327 (217), which reflects a hedging quotient of 46 (43) per cent. Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 4.3 (expense: 1.8) before deferred tax of MSEK 0.8 (0.4). Accumulated translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 15.9 before deferred tax of MSEK 3.4.

A weakening of the Swedish krona by 1 per cent with all other variables remaining constant would result in an increase in equity of MSEK 23 (19) largely due to gains/losses on the translation of EUR and GBP. A change in the Swedish krona of 1 per cent against other currencies would result in a direct impact on net sales in the subsidiaries of approximately MSEK 44 (39) whilst the impact on results in the foreign subsidiaries would be MSEK 6 (3).

The sensitivity analysis for currency risk regarding translation exposure pertained to receivables and liabilities at the end of the reporting period given in a currency other than the respective Group company's functional currency. The table below shows exposure per significant currency and the effect of a 1 per cent change in the exchange rate on companies in the Group.

Currency	Receivables	Liabilities	Net exposure	Affect, 1%
AUD	12.2	0.1	12.1	0.1
CNY	1.3	30.6	–29.3	–0.3
DKK	13.2	2.6	10.6	0.1
EUR	150.3	70.3	80.0	0.8
GBP	30.2	10.7	19.5	0.2
NOK	7.0	1.3	5.7	0.1
SEK	1.3	8.9	–7.6	–0.1
USD	23.0	20.9	2.1	0.0
Other currencies	14.3	1.0	13.3	0.1
Total	**252.8**	**146.4**	**106.4**	**1.1**

Interest-rate risk

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

The Group's interest-rate risk arises in conjunction with long-term borrowing. In addition to pension liabilities of MSEK 93.5 (90.2), interest-bearing liabilities totalled MSEK 2,787.7 (2,689.4) and cash and cash equivalents were MSEK 808.4 (949.9). Borrowing on the basis of floating interest rates exposes the Group to interest-rate risk as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. Group policy is to use a fixed-interest period of three months. During 2018 and 2017, the Group's borrowings largely comprised loans with three-month fixed interest rates.

The Group analyses its exposure to interest-rate risk on a dynamic basis. Various scenarios are simulated, whereby refinancing, re-negotiation of existing trading positions, alternative financing and hedging are taken into consideration. Based on these scenarios, the Group calculates the earnings impact from a given change in interest rates. In each simulation, the same change in the interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest-bearing positions. Simulations performed show that the earnings impact of a 1 percentage point change would be a maximum of MSEK 20 (18), with the current capital structure. The simulation is conducted quarterly to verify that the maximum possible loss is within the limits established by the executive management.

If interest rates on borrowing in Swedish krona as of 31 December 2018 had been 10 (10) points higher/lower, but all other variables had been constant, then gains after tax for the financial year would have been MSEK 2.8 (2.7) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates.

Credit risks

Credit risks are managed at Group level. Credit risks arise if the counterparty does not fulfil its commitments in conjunction with lending within the framework of cash management policies and through credit exposure to clients and banks, including receivables and agreed transactions. If the Group's customers have received a credit rating from an independent rating institution, these ratings are used. Where no independent credit assessment exists, a risk assessment is made of the customer's credit status in which the entity's financial position is considered, as well as previous experience and other factors. Individual risk limits are set based on internal or external credit ratings, in accordance with the limits set by the Group management. The application of credit limits is frequently reviewed. No significant losses occurred in either 2018 or 2017. Of the trade receivables carrying amount, MSEK 593 (531) is covered by credit insurance. A total provision of MSEK 28 (32) was made for those trade receivables not expected to be received. The average confirmed credit losses amounted to 0.05 per cent (0.08) of net sales calculated for the next five years.

Liquidity risk

Liquidity risk is managed by ensuring that the Group has sufficient cash and cash equivalents and short-term investments in a liquid market, available financing through agreed credit facilities and the possibility to close market positions. The Group has a strong financial position. At present, no new borrowing requirements exist, but should such requirements arise, there is currently no difficulty in obtaining external credit, as long as such credit meets certain covenants, on the borrower, such as debt-to equity and interest coverage ratio, which are at present satisfied.

Management also meticulously follows rolling forecasts for the Group's liquidity reserve on the basis of anticipated cash flows.

The table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the contractual time to maturity, as of the closing date. The amounts stated in the table are the contractual, undiscounted cash flows. For derivatives, the fair value is presented because the contractual dates of maturity are not significant for an understanding of cash flows. Amounts falling due within 12 months correspond with the carrying amounts, as the effect of discounting is negligible.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
As of 31 December 2018						
Repayment of bank loans	416.1	832.2	822.8	400.5	0.7	315.4
Interest payments	37.0	35.0	26.1	11.2	3.8	1.3
Trade payables and other liabilities [1]	1,026.8	98.6	150.7	–	–	–
	1,479.9	**965.8**	**999.6**	**411.7**	**4.5**	**316.7**
As of 31 December 2017						
Repayment of bank loans	4.8	770.4	426.6	788.2	393.4	306.0
Interest payments	35.5	31.9	26.8	23.1	11.3	5.1
Trade payables and other liabilities [1]	981.9	142.7	19.3	–	–	–
	1,022.2	**945.0**	**472.7**	**811.3**	**404.7**	**311.1**

1) Of this amount, MSEK 350.1 (412.2) pertained to Trade payables the majority of which fall due within 30 days of the closing date.

Capital risk

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structurewe to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as interest-bearing liabilities in relation to equity. The debt/equity ratio at 31 December 2018 was 2.0 per cent (2.2).

OPERATIONAL RISKS

Price risk

Price risk in the Group's operations primarily arise in conjunction with the purchase of input material used in manufacturing. Dominant components, such as electronic control systems and sheet metal, have the single greatest impact on the cost of manufactured products, excluding processing costs. The Group's exposure to price risk on financial instruments is minimal.

Risk associated with plants and inventories
In addition to the above risks, all of which, in principle, impact the Fagerhult Group's cash flows, restricted capital in both non-current assets and inventories is also exposed to risk. Rationalisations and a high level of utilisation of investments made have meant the value of capitalised assets has been possible to maintain at a comparatively low level. Consequently, the risk of a permanent impairment of non-current assets is considered unlikely. Risks associated with inventories are primarily related to obsolescence resulting from overproduction and out-of-date technology. Fagerhult's business concept includes customer-order driven production. This implies flexible production in which the need for inventories is reduced and with that, the risk of obsolescence.

IT security
As computer-aided technology has assumed an increasingly greater scope within the companies, security requirements have also increased. The functional security of the databases and e-mail servers is checked via daily backups. Battery backup and diesel generators provide protection against operational disruption in the main manufacturing facility in Habo from where the majority of the Group's computer operations are controlled. To date, no costs have arisen as a result of damage. The internet connection is fixed and completely isolated from other networks via hardware firewalls. Access via public networks is secured via security devices. User access to the system is regulated via Group authorisations and entitlements based on actual assignments and roles within the company.

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

SUSTAINABILITY RISKS
In various ways, Fagerhult's operations are associated with sustainability risks. In conjunction with the preparation of the Sustainability Report, the most significant sustainability risks in our own operations and in our value chain have been identified. We have focused on the specific areas stated in the Swedish Annual Accounts Act where we are of the opinion that operations significantly impact people and the environment: the environment; personnel; societal conditions; respect for human rights; and anti-corruption.

Activity	Risk	Description/management
Product development	Product quality	• Quality defects in the product can result in injuries to customers or impact the company's reputation. Fagerhult has a quality policy and guidelines in place for product development and training, which aim to maintain high quality and to reduce risks of the above.
The environment	Energy efficiency and emissions	• Increased cost of energy due to legislation can lead to increased production costs. Fagerhult works continuously in all areas of operations to review energy needs and to work as efficiently as possible.
Personnel and societal conditions	Workplace accidents	• Fagerhult has noted a risk that a workplace accident could occur that could lead to injury or loss of personnel. Fagerhult works daily with work environment issues and routines, and works proactively in activities that are assessed as having significant risk for injury.
	Human rights	• The risk of Fagerhult not respecting human rights is managed by ensuring that the all of the Group's employees are familiar with the company's Code of Conduct, which is always signed upon employment, and through continuous training in the code.
Anti-corruption	Anti-corruption	• Corruption, or any employees breaking the law, can lead to fines and lost business as well as affect Fagerhult's reputation. Fagerhult works continuously with the issue and has a Code of Conduct that forms the basis for everything we do and how we act. We conduct company inspections upon acquisition, and all of the Group's companies are to comply with the applicable laws and regulations.
Sustainable supply chain	Ethics and human rights	• Fagerhult requires contractors to fulfil the ethical standards we set for contractors and subcontractors and demands human rights be respected. During the year, a Code of Conduct for contractors has been implemented at Fagerhults Belysning, and Fagerhult applies the prudence concept for all relationships.

Note 37 | Events after the balance-sheet date

Extraordinary general meeting
The following was resolved at the Extraordinary General Meeting at AB Fagerhult (publ) ("Fagerhult" or "the Company") on 7 February 2019.

The meeting passed a resolution to amend Fagerhult's Articles of Association as they concern the company's share capital (Section 4 in the Articles of Association) and the number of shares in the company (Section 5 in the Articles of Association). The resolution entails that Section 4 of the Articles of Association now reads "The share capital shall be no less than SEK sixty-five million (65,000,000) and no more than SEK two hundred and sixty million (260,000,000)," while Section 5 in the Articles of Association now reads "The number of shares shall be no less than one hundred and ten million (110,000,000) and no more than four hundred and forty million (440,000,000)."

The meeting passed a resolution to authorise the Board to, on one or more occasions prior to the next AGM, resolve to approve a new issue of shares in Fagerhult to be issued as a part of the acquisition price of iGuzzini Illuminazione S.p.A. ("Non-cash issue"). The owners of iGuzzini Illuminazione S.p.A., Fimag S.p.A. and Tip-Pre IPO S.p.A., will alone be entitled to subscribe for the new shares in the Non-cash issue by transferring shares in iGuzzini Illuminazione S.p.A. to Fagerhult.

The meeting also passed a resolution to authorise the Board to, on one or more occasions, before the next AGM, resolve to approve a new issue of shares against cash payment with pre-emption rights for shareholders to raise approximately SEK 2.2 billion for Fagerhult, to replace credit facilities that were used by Fagerhult in the acquisition of iGuzzini Illuminazione S.p.A.

Fagerhult completes iGuzzini acquisition and decides on an issue in kind
Fagerhult completed the acquisition of iGuzzini illuminazione S.p.A. on March 7th, after receiving regulatory approval from the German and Russian Competition Authorities. The board of directors of Fagerhult has also decided on the issue in kind that was previously communicated when the acquisition was announced on December 21, 2018. The purchase price for iGuzzini amounts to 375.9 MEUR,
of which 284.5 MEUR is paid in cash and 91.4 MEUR in new Fagerhult shares.

For more information see the press release from December 21, 2018. More information on iGuzzini is available at www.iguzzini.com.

The issue in kind in brief
As part of the purchase price for iGuzzini, the board of directors of Fagerhult has decided to issue 11,244,805 new shares in Fagerhult. The new shares have been subscribed for by the sellers of iGuzzini (Fimag S.p.A. and Tip-Pre IPO S.p.A.) who have paid for the new shares by transferring to Fagerhult shares in iGuzzini at an agreed value of 91.4 MEUR (963.6 MSEK).

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

Signatures

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU, and that they provide a true and fair view of the Group's financial position and the results of its operations. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and provides a true and fair view of the Parent Company's financial position and results.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainty factors facing the Parent Company and other companies within the Group.

The income statements and balance sheets will be submitted for adoption at the AGM on 13 May 2019.

Habo, 14 March 2019

Jan Svensson
Chairman

Eric Douglas
Vice Chairman

Cecilia Fasth
Board member

Morten Falkenberg
Board member

Catherina Fored
Board member

Fredrik Palmstierna
Board member

Bondil Sonesson
President and CEO

Magnus Nell
Employee Representative

Lars-Åke Johansson
Employee Representative

Our audit report was submitted on 15 March 2019.

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of AB Fagerhult, Corporate Identity Number 556110-6203

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of AB Fagerhult for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 48–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow 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 present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended 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 information provided in this Corporate Governance Report and in the statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts, the information in the Corporate Governance Report is in accordance with the stipulations of the Annual Accounts Act.

We, therefore, recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content in the supplementary report presented to the parent company's and group's Audit Committees in accordance with the Auditors Ordinance (537/2014), article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and group, in accordance with the professional ethics for accountants in Sweden, and have, otherwise, fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on our best knowledge and belief, no disallowed services as stipulated in the Auditors Ordinance (537/2014), article 5.1, have been provided to the audited company or, as applicable, its parent company, nor as regards the companies it controls within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Fagerhult's operations are undertaken in slightly less than 30 countries around the world. Each of the local operations has their own finance function reporting to the head offices in Sweden.

Even if the operations are quite distributed, the four entities, Fagerhults Belysning AB, Fagerhults Belysning Sverige AB, Whitecroft Lighting Ltd. in the UK and LTS Lich & Leuchten GmbH in Germany, together, comprise a decisive portion of the entire group. It was both natural and necessary to execute a full audit on these four entities. In Sweden, the audit was executed by the group team, while in the UK and Germany the local PwC teams executed the audits. The group team has studied the work undertaken by these local unit auditors to ensure that sufficient audit work has been performed, but has also communicated on an ongoing basis with the local teams to maintain a clear understanding of the manner in which the audits have been executed. In addition to these four units, after consultation with Fagerhult's Board of Directors and group management, it was determined that the group audit was to include a further 30 units where full audits have been executed. A total of 16 of these units in the various countries have been audited by the PwC network.

As regards just a few companies, whose combined operations represent only a very limited portion of the total operations of the group, the group audit team has undertaken analytical procedures. Local statutory audits have been executed on all of the entities in the group with such requirements even if the entity in question has not been included in the reporting on the audit of the consolidated accounts, or has not been included in the audit time schedule.

In addition, the group team has audited the group consolidation, the group's annual financial statements and a number of complex transactions and issues. These have included acquisition analyses and impairment testing of intangible assets with indefinite useful lifetimes, brands and goodwill.

Our overall conclusion is that we have evidenced that sufficient audit activities have been executed, and that such activities have taken place primarily through the utilisation of PwC's own network.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements both individually, and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of intangible assets with indefinite useful lifetimes, brands and goodwil On page 82 in the section, Significant Estimates and Assumptions, amongst the Accounting Principles and in Note 11, Fagerhult describes its valuation of intangible assets with indefinite useful lifetimes which are comprised of brands and goodwill. Of the group's balance sheet total, MSEK 2969.1 or 45 per cent is comprised of intangible assets with indefinite useful lifetimes. As these assets are not amortised on an ongoing basis, an impairment test is to be executed at least once a year. Fagerhult undertook such a test during the fourth quarter 2018. Such a test includes the assumptions undertaken regarding, amongst other things, future growth, profitability and the discount factor. In other words, the assessments and estimations which are required to be made by the management and Board of Directors are complex. As these tangible assets comprise a significant amount and the required assumptions include assessments and estimations which, taken individually, can have a decisive influence on the valuation, this is a particularly significant area for the audit.	As a first step, we determined, together with PwC's valuation specialists, that the applied impairment tests, one per segment, were implemented according to established principles and methods. The assumptions of greatest importance to the impairment tests which were made by the management and Board of Directors, referred to growth, profitability and the discount rates. We have assessed these assumptions by comparing these factors against Fagerhult's budget and strategic plan, and also against historical outcome. We have also undertaken an independent assessment with the starting point on the premises of the markets in which the cash generating units operate. We have checked the discount rates against observable market data. We have also examined significant assumptions to determine if they are consistent with previous years. With the starting point being the impairment tests, we implemented simulations and undertook sensitivity analyses in order to understand the manner in which a given change could impact the values and which could indicate a possible impairment requirement. These tests have also provided the basis of our control of the information provided in Note 11 of the annual report. As a final, overall control, we have compared the company's stock market value in relation to its calculated net realisable value. In conclusion, in our audit of the valuation of intangible assets with indefinite useful lifetimes, that is, the brands and goodwill, we have made no observations which are significant to the audit as a whole.
Acquisition analysis regarding Veko Fagerhult publically announced its acquisition of VEKO Lightsystems International, "Veko" on 20 April 2018. The acquisition is described in detail in Note 31. As stated in this Note, the total price, including the calculated additional purchase price, is MSEK 676. Reported equity in the company amounted, at point of acquisition, to MSEK 144 which implies that the company management and Board of Directors would, at that point in time, have allocated an excess value of MSEK 532. This allocation is based on the fair value of the assets and liabilities in Veko at point of acquisition. The calculation of such an allocation, that is an acquisition analysis, includes a number of estimations and assessments, each of which can have a significant impact on the reported assets and liabilities. Both the size and complexity of the estimations required in the acquisition analysis has implied that we deem this matter to be of major significance in the audit.	We have, together with PwC's valuation specialists, examined the acquisition analysis to ensure that it has been prepared on the basis of accepted principles and models. When we examined the analysis, we found that Fagerhult had identified the assets and liabilities we expected to be identified based on our experience from previous acquisitions, similar companies and our industry knowledge. We examined to determine that the factors applied in quantifying the fair value of the assets, such as future cash flows, discount rates, and assumed useful lifetimes were also in line with accepted practice and what we could expect. We could also conclude that the factors were consistent with previous years' assessment in other acquisitions. Finally, we have also examined the information provided by Fagerhult in Note 31. Based on our examination of the acquisition analysis, we made no observations which were significant to the audit in its entirety.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Obsolescence in the inventories due to technological developments On page 77 under the heading, "Inventories", and in Note 36, Fagerhult describes the valuation and risks associated with the inventories. Fagerhult manufactures products which are primarily based on LED technology. There continues to be a rapid development of this technology in which the next LED generation can be both cheaper and more energy effective than with previous generation. As a result of this, management and the Board of Directors are required to evaluate and assess the manner in which LED technological changes will impact the demand for the existing inventories during future years. That it has been of significance in the audit to examine obsolescence arising from technology development is due to the fact that the value of the inventories is significant, with a total book value of MSEK 840, and is also due to the fact that the management's and Board of Director's obsolescence assessments include estimations and judgments.	The respective subsidiaries in Fagerhult have the responsibility of assessing the requirement of an obsolescence write-down that can arise in the inventories. This applies as it is the local companies' management who can best estimate market conditions. Consequently, we have instructed each local audit team to undertake a special examination to ensure that correct provisions are reported. In the case there is a so-called general obsolescence scale, we have examined to ensure that this has been applied consistently between years and has been updated with regard to changed premises. As a change in technology can take place very rapidly, it is not entirely certain that the requirement of an obsolescence write-down is identified via traditional analyses of slow moving inventory items. Consequently, we have also obtained confirmation regarding obsolescence by executing other audit activities, for example, by reviewing the minutes of Board Meetings, by being present at stock-taking, and through our understanding of the industry and of new product and market developments. We have also studied and analysed the follow-up and monitoring undertaken by group management in this context. Everything considered, we have made no observations of significance to the audit as a whole in our audit of the obsolescence in the inventories.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–47 and 110–113. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they provide a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and to applying the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB Fagerhult for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the 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 Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, shall take measures necessary to ensure that the company's accounting is executed in accordance with the law, and shall handle the management of assets of the company in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess, with a reasonable degree of assurance, whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- has, in any other manner, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriation of the company's profit or loss and thereby, our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriation of the company's profit or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website:www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Jönköping den 15 mars 2019

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Auktoriserad revisor
Huvudansvarig revisor

Martin Odqvist
Auktoriserad revisor

Shareholder information

2019 Annual General Meeting

The Annual General Meeting of shareholders in AB Fagerhult will be held on Monday 13 May 2019, at 5:00 p.m. 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 Tuesday, 7 May 2019 and register their intention to take part in the meeting to Fagerhult no later than 7 May 2019.

Registrations can be made via e-mail to arsstamma@fagerhult.se or by telephone on +46 8-522 359 75 or by post to AB Fagerhult, SE-566 80 Habo. Shareholders who have registered their shares with a nominee shareholder must, in good time prior to 7 May 2019, temporarily re-register the shares in their own name, through the nominee shareholder, to have the right to participate in the general meeting of shareholders.

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

Dividend

The Board of Directors proposes to the AGM a dividend of SEK 2.00 per share. The proposed record date is 15 May 2019. In the event that AGM adopts this proposal, the dividend will be distributed through the offices of Euroclear Sweden AB starting on 20 May 2019.

Nomination Committee

The Nomination Committee for the 2019 AGM comprises the following members:

- Jan Svensson, Chairman of AB Fagerhult
- Eric Douglas, Investment AB Latour,
- Johan Ståhl, Lannebo Fonder.
- Evert Carlsson, Swedbank Funds
- Jan Särlvik, Nordea Funds.

In order for the Nomination Committee to consider a proposal, it must be submitted well in advance of the AGM. Proposals may be submitted to the Nomination Committee by post to:

AB Fagerhult
Att: Michael Wood
Tegelviksgatan 32
SE-116 41 Stockholm, Sweden

Financial information 2018

- 13 May 2019, 2019 AGM
- 13 May 2019, Interim report for Q1, 2019
- 22 August 2019, Interim report for Q2, 2019
- 25 October 2019, Interim report for Q3, 2019

Distribution policy

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

IR contact
Michael Wood, CFO
+46 8-522 359 48
ir@fagerhult.se

News, reports and share price performance

Follow us by subscribing to our press releases and financial reports by e-mail and text message. You are also able to obtain information on the share's price performance. Register at www.fagerhultgroup.com

Definitions A to Z

Number of employees Average number of full-time equivalents.

Return on equity Profit or loss according to the income statement as a percentage of the average (reported) equity.

Return on capital employed Profit/loss after financial items plus financial expenses in relation to the average capital employed.

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

Cash flow per share Cash flow from operating activities for the year divided by the average number of shares outstanding.

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

Cash and cash equivalents Cash and bank balances and short-term investments.

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

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

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

Operating margin Operating profit in relation to net sales.

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

Equity/assets ratio Equity in relation to total assets.

Capital employed Total assets less non-interest-bearing liabilities.

Profit margin Profit after financial items in relation to net sales.

Other current assets The item refers to interim receivables, advance payments to suppliers, other receivables and Group receivables.

Industry glossary

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

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

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

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

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

Failure fraction – Fy: The failure of fraction at nominal lifetime and is given in per cent. For example, at 15 per cent failures, a factor of F15 is stated.

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

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

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

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

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

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

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

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

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

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

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

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

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

Rated Life: (Rated life) Defined as the number of burning hours after which a given part of the initial light output remains. Today, life expectancy is given as the number of hours when 70 per cent of the initial luminous flux remains and is designated as L70.

OLED: Abbreviation of organic light emitting diode.

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

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

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

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

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

Production: Fagerhult in partnership with Intellecta Corporate. **Printing:** Danagård LiTHO, 2019. **Photography:** Shutterstock (cover, pages 1, 13, 26), Fagerhult (inside cover, page 13), LED Linear (pages 2, 7, 23), Cecilia Niva/Stefan Atterdal (pages 2, 10), Jonas Lindström (pages 2, 16, 18, 23), Sam Neequaye (page 7), Helén Karlsson (pages 5, 62, 64), Frieder Blickle for WE-EF (page 7), Lighting Innovations (page 7, 43), Designplan (page 7), Veko (page 8), Rodion Kutsaer (page 10), Patrik Svedberg (pages 10, 39, 40, 42), Johnér Bildbyrå/Magnus Ragnvid (page 14), Joel Dittmer (pages 7, 16, 21, 30, 34), Yunus Ozkazanc (page 17), Florian Bouvet Fournier (page 19), Iemke Ruige (page 19), David Holmqvist (page 20), Pirjo Lindfors (pages 16, 21, 36), Suldal Foto (page 22), Jackie Chan, Lighting, Art & Science, our No 1 customer (page 23), Mikael Brüer (page 25), Marie Peterson (page 41), pox.se (page 44).

AB Fagerhult (publ)
SE-566 80 Habo
Tel: +46 36 10 85 00
www.fagerhultgroup.com
info@fagerhult.se

Fagerhults Belysning AB
Åvägen 1, SE-566 80 Habo
Tel: +46 (0)36 10 85 00
Fyrvaktaregatan 7
SE-296 81 Åhus
Tel: +46 (0)44 28 98 00

Ateljé Lyktan AB
Fyrvaktaregatan 7
SE-296 81 Åhus
Tel: +46 (0)44 28 98 00
www.atelje-lyktan.se
info@atelje-lyktan.se

Fagerhults Belysning Sverige AB
SE-566 80 Habo
Tel: +46 (0)36 10 85 00

Fagerhult AS
Sluseholmen 8A
DK-2450 Copenhagen
Denmark
Tel: +45 43 55 37 00
www.fagerhult.dk
post@fagerhult.dk

Fagerhult Belysning AS
Strandveien 30, Pb 471
NO-1327 Lysaker
Norway
Tel: +47 22 06 55 00
www.fagerhult.no
kundeservice@fagerhult.no

Fagerhult Oy
Mannerheimintie 113
FI-00280 Helsinki
Finland
Tel: +358 9 777 1580
www.fagerhult.fi
info@fagerhult.fi

I-Valo Oy
Tehtaantie 3 b
FI-14500 Iittala
Finland
Tel: +358 10 501 3000
www.i-valo.com
info@i-valo.com

Fagerhult Lighting Ltd
33–34 Dolben Street
London SE1 0UQ
UK
Tel: +44 207 403 4123
www.fagerhult.co.uk
light@fagerhult.co.uk

Fagerhult Lighting Ltd
Unit F1, Calmount Park
Ballymount
Dublin D12 PN81
Ireland
Tel: +35 3 1426 0200
www.fagerhult.ie
info@fagerhult.ie

Whitecroft Lighting Limited
Burlington Street
Ashton-under-Lyne
Lancashire OL7 OAX
UK
Tel: +44 161 330 6811
www.whitecroftlighting.com
email@whitecroftlight.com

Designplan Lighting Ltd
16 Kimpton Park Way,
Sutton, Surrey SM3 9QS
UK
Tel: +44 208 254 2000
www.designplan.co.uk
sales@designplan.co.uk

LTS Licht & Leuchten GmbH
Waldesch 24
DE-88069 Tettnang
Germany
Tel: +49 75 42 / 93 07-0
www.lts-licht.de
info@lts-light.com

LED Linear GmbH
Pascalstr. 9
DE-47506 Neukirchen-Vluyn
Germany
Tel: +49 2845 98462-0
www.led-linear.com
info@led-linear.com

LED Linear USA, Inc.
2186 Liberty Drive
Niagara Falls
NY 14304
USA
Tel: +1 716 283 4400
www.led-linear.com
usa@led-linear.com

LED Linear UK Ltd
8 Century Court
Tolpits Lane, Watford
Herts WD18 9RS
UK
Tel: +44 1923 618300
UK@led-linear.com

WE-EF LEUCHTEN GmbH
Töpinger Straße 16
29646 Bispingen
Tel: +49 5194 909-0
info.germany@we-ef.com

WE-EF LEUCHTEN
GmbH & Co. KG
Bispingen

WE-EF TRADING AND DESIGN GmbH
Bispingen

WE-EF LIGHTING Co. Ltd
57 Moo 5, Kingkaew Rd.,
Bangplee
10540 Samutprakarn
Thailand
Tel: +66 2 738 9610
info.asiapacific@we-ef.com

WE-EF HELVETICA
Chemin Malombré 5
1206 Geneva
Switzerland
Tel: +41 22 752 4994
info.switzerland@we-ef.com

WE-EF LIGHTING Ltd
Suite 2c,
East Bridgford Business Park,
Kneeton Road, East Bridgford
NG13 8PJ Nottingham
UK
Tel: +44 844 880 5346

WE-EF LIGHTING Pty. Ltd
5/13 Downard Street
3195 Braeside, Victoria
Australia

WE-EF LIGHTING USA LLC
410/D Keystone Drive
Warrendale, PA 15086
USA
Tel: + 1 724 742 0030

WE-EF LUMIERE
ZAC de Chesnes Nord
6 Rue de Brisson CS80330
38290 Satolas et Bonce
France

FLUX ECLAIRAGE
6 Rue de Brisson CS80330
38290 Satolas et Bonce
France

Waco N.V.
Hundelgemsesteenweg 80
BE-9890 Baaigem-Gavere
Belgium
Tel: +32 9362 4494
www.waco.be
info@waco.be

Fagerhult OÜ
Artelli 10c
EE-10621 Tallinn
Estonia
Tel: +372 6 507 901
www.fagerhult.ee
fagerhult@fagerhult.ee

Fagerhult France
105, Avenue Jean Jaurès
Bâtiment B5
FR-69600 Oullins
France
Tel: +33 4 3722 6410
www.fagerhult.fr
info@fagerhult.fr

Fagerhult BV
Lichtschip 19, Postbus 320
NL-3990 GC Houten
The Netherlands
Tel: +31 30 688 99 00
www.fagerhult.nl
lighting@fagerhult.nl

Fagerhult Sp.z.o.o.
Komitetu Obrony
Robotników 48
PL-02-146 Warsaw
Poland
Tel: +48 22 749 12 50
www.fagerhult.pl
info@fagerhult.pl

Fagerhult SPb
Viborgskaya nab. 61,
office 304
RU-197342 St Petersburg
Russia
Tel: +7 812 380 0148
www.fagerhult.ru
info@fagerhult.ru

Fagerhult SL
C/Estocolmo No 13
ES-282 32 Las Rozas, Madrid
Spain
Tel: +34 91 640 7246
www.fagerhult.es

Commtech Commissioning Services SA
C/Estocolmo No 13
ES-282 30 Las Rozas, Madrid
Spain
Tel: +34 91 640 7246
www.fagerhult.es

Arlight Aydinlatma A.Ş
Saray Mahallesi 205.
Sokak No:4
06980 Kazan Ankara
Turkey
Tel: +90 312 815 4661
www.arlight.net
arlight@arlight.net

Eagle Lighting (Australia) Pty Ltd
17–19 Jets Court
Melbourne Airport, VIC 3045
Australia
Tel: +61 3 9344 7444
www.eaglelighting.com.au

OR Technologies Pty Ltd
Level 1, 2 Greenwood St
Abbotsford, VIC 3067
Australia

Fagerhult Lighting Systems (Suzhou) Co Ltd.
No. 11 Workshop
99 Gangtian Road,
Suzhou Industrial Park
Suzhou 215021
China
Tel: +86 512 87 18 77 78
www.fagerhult.com

Fagerhult Lighting – Dubai Branch
Office No. 914 The Onyx
Tower 1, The Greens
Sheikh Zayed Rd
126287 Dubai – U.A.E.
United Arab Emirates
Tel: +971 4329 7120
www.fagerhult.ae
info@fagerhult.ae

Fagerhult (NZ) Ltd
Level 1/12 Allens Road
East Tamaki
Auckland 2013
New Zealand
Tel: +64 21 509 248

Lighting Innovations Africa (pty) Ltd
672 Old Cape Road
Greenbushes, Port Elizabeth
Eastern Cape 6390
South Africa
Tel: +27 (0)41 819 7598
www.lightinginnovations.co.za
info@lightinginnovations.co.za

VEKO Lightsystems International B.V
Witte Paal 38, Postbus 168
1742 NL Schagen
The Netherlands
Tel: +31 224 273 273
www.veko.com
info@veko.com

VEKO Lightsystems GmbH
Philosophenweg 31
47051 Duisburg
Germany
Tel: +49 203 93 31 93 47

iGuzzini illuminazione S.p.A
via Mariano Guzzini 37
62019, Recanati (MC)
Italy
Tel: +39-07175881
www.iguzzini.com
info.hq@iguzzini.com

932.INT.1.19.11,5

FAGERHULT

WWW.FAGERHULTGROUP.COM