FAGERHULT
YEAR-END REPORT 2019

Q4

The fourth quarter

Trading in the fourth quarter was tough in several markets and the results reflect this. Organic net sales were 6.6% adverse to last year and operating profits were only marginally ahead.

Overall sales were 43.1% ahead and operating profits were flat, as a result the operating margin was 9.7% compared to 13.8% in Q4 2018.

The positive trend of organic order intake continues. The fourth quarter delivered -1.1% compared to -13.1%, -7.9% and -3.3% for Q1, Q2 and Q3 respectively.

For the second successive quarter the operating cash flow was strong at 379 (287) MSEK with the full year being over 1 BSEK.

Overall growth is driven by recent acquisitions with order intake for the quarter at 1,926 (1,291) MSEK was 49.1% ahead of last year and on a comparable basis was 1.1% adverse. In the UK&I and W&SE business areas we report a fourth quarter organic order intake growth of +29.5% and +0.7% respectively. In the NE region we begin to see a weakening of demand late in the fourth quarter.

Overall net sales for the quarter of 2,129 (1,488) MSEK was 43.1% ahead of the fourth quarter 2018 and on a comparable basis was 6.6% adverse to last year. Demand for luminaires in several regions was not as strong as expected and also, as the outdoor lighting share of net sales continue to grow, especially since the acquisition of iGuzzini the business becomes more seasonal.

The operating profit for the quarter was 206.8 (205.6) MSEK, a 0.6% increase, resulting in an operating margin of 9.7 (13.8)%. During the quarter 18.3 MSEK of one-off M&A (4.4 MSEK) and restructuring (13.9 MSEK) costs were taken as well as 9.7 MSEK relating to amortisation of iGuzzini excess values from PPA.

The operating cash flow was a positive 379.3 (287.4) MSEK resulting from a 75.1 MSEK reduction in working capital plus adjustments for non-cash items of 195.6 MSEK.

The total dividend proposed to be paid, 264 (254) MSEK is based on the proposal of SEK 1.50 (2.00) per share and 176 (127) million shares and this will be proposed by the Board at the AGM in May.

The effects of IFRS 16 have been included in the results for Q4 2019. No historical adjustments have been made to the prior period results, refer to page 18 for details.

Q4

ORDER INTAKE, MSEK

1,926

Order intake was MSEK 1,925.6 (1,291.2), which is an overall increase of 49.1% adjusted to -1.1% for acquisitions of MSEK 605.6 and currency effects of MSEK 42.7

NET SALES, MSEK

2,129

Net sales were MSEK 2,129.3 (1,488.1), which is an overall growth of 43.1% adjusted to -6.6% for acquisitions of MSEK 697.5 and currency effects of MSEK 41.2

OPERATING PROFIT, MSEK

207

Operating profit was MSEK 206.8 (205.6) representing a 0.6% increase with an operating margin of 9.7 (13.8)%

NET PROFIT, MSEK

126

Earnings after tax were MSEK 126.2 (154.2), a decrease of 18.2%

EARNINGS PER SHARE, SEK

0.71

Earnings per share were SEK 0.71 (1.35)

CASH FLOW FROM OPERATING ACTIVITIES, MSEK

379

Cash flow from operating activities was MSEK 379.3 (287.4)

CEO comments

- The positive trend on organic order intake is pleasing to see, especially with the steady recovery in the UK compared to last year.
- Here in Scandinavia we see a slight weakening of demand in the last quarter and we will monitor this very closely.
- Where actions have been executed the performance improvement programme continues to benefit.
- In some businesses the results are still slow. We expect cost down actions start to benefit in 3 months whilst sales & marketing improvements activities take between 6-9 months to see the start of the recovery.
- Overall I am pleased with my first full 12 months in the Group, we have performed well in some challenging conditions.
- The integration of iGuzzini goes according to plan, the long term benefits remain strong, but in the short term the business needs to close out the new ERP IT installation.
- Looking forward to 2020 and beyond, growth is the number one focus and at the heart of the strategic alignment process, a process which is now fully communicated internally and we move to implementation and execution.

January-December

During 2019, the market activity across the business areas remained at a level consistent with that experienced during the last 2 years. The only exception to this was that we experience a reduced level of demand in Scandinavia in the most recent 2 months.

The full year organic order intake closed at -6,5%. The trend from quarter to quarter showed an improvement from the -13.1% in Q1 to the -1.1% in the last quarter.

The UK market continues to operate at a low level, although we report improved levels of order intake with positive organic growth in both Q3 and more significantly in Q4. In Europe generally the results are very mixed from country to country, overall demand is weaker than expected.

The Group's year to date order intake at 7,752 (5,692) MSEK shows an overall 36.2% increase with a 6.5% decrease when adjusted for acquisitions (2,296 MSEK) and currency effects (134 MSEK). The Group's year to date net sales at 7,845 (5,621) MSEK shows an overall 39.6% increase with a 3.7% decrease when adjusted for acquisitions (2,299 MSEK) and currency effects (135 MSEK). The order backlog position remains healthy at 1,2 BSEK.

The operating profit of 794.8 (705.8) MSEK increased in the year due to acquisitions and was enhanced by the improvement programme. Organic decline has had a negative impact. The fourth quarter was below expectations and seasonality now has a greater impact due to the share of outdoor.

In the year to date, operating profit is adversely impacted by a total of 62.0 MSEK, being a combination of one-off M&A transaction costs (15.9), amortisation of iGuzzini excess values from PPA (23.7) and one-off costs related to the improvement programme (22.4). Currency conversion on consolidation have positively affected net sales and operating profits by 134.6 (172.2) MSEK and 9.0 (10.6) MSEK respectively.

The operating margin in the fourth quarter of 9.7 (13.8)% resulted in the full year margin being 10.1 (12.6)%. Financial items were -99.1 (-39.1) MSEK with the 60.0 MSEK increase resulting from 22.5 MSEK increased long term debt interest charges and bridge-loan finance combined with 22.1 (0) MSEK in accounting changes for IFRS 16. The balance of the increase is currency movements, especially in Q4. The tax expense for the period was 180.9 (163.6) MSEK, which results in a 26.0% (24.5%) tax rate.

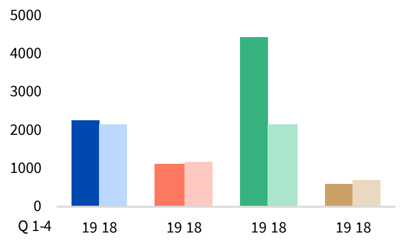
"I am pleased with my first full year at Fagerhult and the work we have done."

Business areas

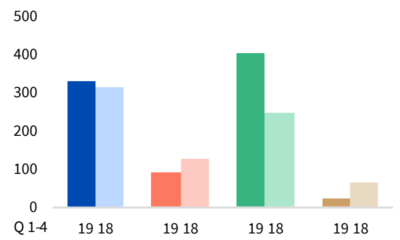
NET SALES AND OPERATING PROFIT BY BUSINESS AREA

	Net sales				Operating profit				Operating margin %			
	Q4		Q1-4		Q4		Q1-4		Q4		Q1-4	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Northern Europe	555.1	570.9	2,220.4	2,113.0	78.5	104.7	327.8	312.5	14.1	18.3	14.8	14.8
UK and Ireland	277.0	268.8	1,098.8	1,130.6	18.6	26.4	90.1	125.0	6.7	9.8	8.2	11.1
Western and Southern Europe	1,257.6	584.0	4,403.7	2,123.4	113.5	67.0	403.5	246.9	9.0	11.5	9.2	11.6
Africa, Asia and the Pacific	146.5	180.1	588.9	703.9	5.7	17.2	20.3	65.0	3.9	9.6	3.4	9.2
Other	-	-	-	-	-10.9	-9.7	-53.2	-43.6	-	-	-	-
IFRS 16	-	-	-	-	1.4	-	6.3	-	-	-	-	-
Eliminations	-106.9	-115.7	-466.9	-449.9	-	-	-	-	-	-	-	-
Total	**2,129.3**	**1,488.1**	**7,844.9**	**5,621.0**	**206.8**	**205.6**	**794.8**	**705.8**	**9.7**	**13.8**	**10.1**	**12.6**
Financial, unallocated items	-	-	-	-	-31.3	-10.4	-99.1	-39.1	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**175.5**	**195.2**	**695.7**	**666.7**	**-**	**-**	**-**	**-**

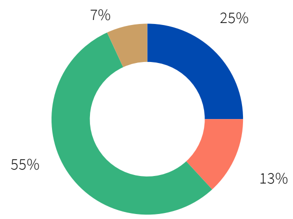
NET SALES PER BUSINESS AREA, MSEK



OPERATING PROFIT PER BUSINESS AREA, MSEK



SALES SHARE PER BUSINESS AREA, %



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

Northern Europe

The business area comprises the Group's operating units and companies in the Nordics, the Baltics, Poland and Russia. The factory in China, which engages in manufacturing and purchasing, is also included. Development, manufacturing and sales are conducted in Sweden, Finland and China, while operations in other markets engage only in sales.

Net sales for the full year were 2,220.4 (2,113.0) MSEK showing a growth of 5.1% and when adjusted for currency effects net sales grew 4.1%. Sales increased in all Nordic countries as well as in Russia. In Sweden, Norway and Poland sales were an all-time high.

The operating profit for the year was 327.8 (312.5) MSEK, an increase of 4.9% with an operating margin of 14.8 (14.8)%.

The focus in the business area remains on delivering profitable growth and to further develop the profitability in some, less profitable countries. We shall closely monitor the activity level in the large Scandinavian markets.

Q4
NET SALES, MSEK
555.1

OPERATING PROFIT, MSEK
78.5

OPERATING MARGIN, %
14.1

Northern Europe	Q4, 2019	Q4, 2018	Q1-4, 2019	Q1-4, 2018
Net sales	555.1	570.9	2,220.4	2,113.0
(of which, intercompany sales)	*(59.8)*	*(70.6)*	*(259.8)*	*(269.0)*
Operating profit	78.5	104.7	327.8	312.5
Operating margin, %	14.1	18.3	14.8	14.8
Sales growth, %	-2.8	7.7	5.1	3.2
Sales growth, adjusted for exchange rate differences , %	-3.5	6.2	4.1	1.6
Growth in operating profit, %	-25.0	46.6	4.9	17.4

UK and Ireland

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

Net sales in the full year were 1,098.8 (1,130.6) MSEK. The region continues to operate at a lower level than we have historically enjoyed, mainly due to the political situation, but we do see an improvement in organic order intake in both Q3 (3.0%) and Q4 (29.5%). In Q4 net sales were 3.1% ahead of 2018 but 3.2% adverse when currency adjusted.

The operating profit for the year was 90.1 (125.0) MSEK and the operating margin was 8.2 (11.1)%.

The business area enters 2020 with a lower cost base, a more stable position than a year ago, improved recent order intake levels and a clearer political position.

UK and Ireland	Q4, 2019	Q4, 2018	Q1-4, 2019	Q1-4, 2018
Net sales	277.0	268.8	1,098.8	1,130.6
(of which, intercompany sales)	*(13.9)*	*(11.9)*	*(66.1)*	*(43.7)*
Operating profit	18.6	26.4	90.1	125.0
Operating margin, %	6.7	9.8	8.2	11.1
Sales growth, %	3.1	-5.8	-2.8	-6.6
Sales growth, adjusted for exchange rate differences , %	-3.2	-10.6	-6.7	-11.4
Growth in operating profit, %	-29.5	-37.0	-27.9	-32.4

Q4
NET SALES, MSEK
277.0
OPERATING PROFIT, MSEK
18.6
OPERATING MARGIN, %
6.7

"We report a 29.5% increase in order intake in the UK&I in Q4."

Western and Southern Europe

This business area comprises our operations in Germany, the Netherlands, France, Belgium, Spain and Italy. The largest operation is iGuzzini, based in Italy which also has factories in China and North America.

Operations also exist in Germany with WE-EF, LTS and LED Linear and in the Netherlands with Veko. These units also engage in the development, manufacture and sale of lighting systems. The businesses of iGuzzini, LED Linear and WE-EF have operations across the globe but for governance reasons are reported within this business area. The Fagerhult branded business in the Netherlands, France, Spain and Belgium engage in sales.

The results of the 20th April 2018 acquired Veko Lightsystems International B.V. business based in Schagen, the Netherlands, are consolidated in the business area from May 2018 and iGuzzini illuminazione S.p.A. which was acquired on 7th March 2019 has been consolidated from March 2019.

Q4
NET SALES, MSEK
1,257.6
OPERATING PROFIT, MSEK
113.5
OPERATING MARGIN, %
9.0

Net sales for the year were 4,403.7 (2,123.4) MSEK. This is an overall growth of 107.4%, reducing to 99.6% adjusting for currency effects and-8.5% after adjusting for both currency and acquisition effects.

With a 80% share of the Group's retail sales, the business area has the Group's highest share of the troubled retail sector which accounts for the vast majority of the decline. A strategic review of the Group's approach to this sector is in progress. With the business area including both WE-EF and iGuzzini, it also has the highest share of the seasonal outdoor lighting application area.

The operating profit for the year was 403.5 (246.9) MSEK and the operating margin was 9.2 (11.6)%.

Western and Southern Europe	Q4, 2019	Q4, 2018	Q1-4, 2019	Q1-4, 2018
Net sales	1,257.6	584.0	4,403.7	2,123.4
(of which, intercompany sales)	*(20.6)*	*(18.3)*	*(92.9)*	*(70.7)*
Operating profit	113.5	67.0	403.5	246.9
Operating margin, %	9.0	11.5	9.2	11.6
Sales growth, %	115.3	35.9	107.4	27.1
Sales growth, adjusted for exchange rate differences , %	107.4	28.7	99.6	20.4
Growth in operating profit, %	69.4	135.9	63.4	36.4

Africa, Asia and the Pacific

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

Net sales for the year were 588.9 (703.9) MSEK, a decline of 16.3% overall and the same after negligible FX effects. The business area remains challenged with tough market conditions in most countries, although we see a stable market in Australia with good opportunities for growth and a recovering position in the Arabian Gulf region. The business in Turkey continues to contribute positively and the business in South Africa operates under tough conditions.

The operating profit was 20.3 (65.0) MSEK and the operating margin was 3.4 (9.2)%. The region has absorbed 8.4 MSEK of one-off restructuring costs in the year and so enters 2020 in a healthier condition.

Q4
NET SALES, MSEK
146.5
OPERATING PROFIT, MSEK
5.7
OPERATING MARGIN, %
3.9

Africa, Asia and the Pacific	Q4, 2019	Q4, 2018	Q1-4, 2019	Q1-4, 2018
Net sales	146.5	180.1	588.9	703.9
(of which, intercompany sales)	*(12.6)*	*(14.9)*	*(48.2)*	*(66.5)*
Operating profit	5.7	17.2	20.3	65.0
Operating margin, %	3.9	9.6	3.4	9.2
Sales growth, %	-18.7	-3.4	-16.3	1.6
Sales growth, adjusted for exchange rate differences , %	-20.6	-0.1	-16.2	7.1
Growth in operating profit, %	-66.9	-65.8	-68.8	-29.9

Other

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

Business per product area

For the year, adjusting for currency and acquisition effects, net sales in the Group's largest product area, Indoor Lighting, decreased by 0.6% as trading in the fourth quarter fell short of the expected demand levels. We report a 2.1% like for like reduction in Outdoor Lighting and the significant decline in Retail Lighting continued for the full year with a 15.3% decline.

The impact of the decline in Retail Lighting is absorbed mainly in W&SE, as the retail sales share in this business area is 80%.

The review of the approach to Retail Lighting makes steady progress and is nearing conclusion. It is likely that a multi-brand sub-segment focussed approach will be a core element of the future strategy.

Indoor Lighting sales are well balanced across the business areas and demonstrates the Indoor Lighting solutions strength of all businesses, whereas in Retail and Outdoor Lighting there only exists any significant market penetration in W&SE.

For the year, the net sales mix was 55.8 (59.5)% Indoor, 19.1 (19.2)% Retail and 25.1 (21.3)% Outdoor.

NET SALES PER PRODUCT AREA

	Q4, 2019			Q4, 2018		
	Indoor	Retail	Outdoor	Indoor	Retail	Outdoor
Northern Europe	372.9	33.0	89.4	353.4	42.1	104.8
UK and Ireland	225.2	26.7	11.2	226.3	22.8	7.8
Western and Southern Europe	349.6	439.0	448.4	185.2	163.3	217.2
Africa, Asia and the Pacific	124.6	3.6	5.7	159.0	6.5	-0.3
Total	**1,072.3**	**502.3**	**554.7**	**923.9**	**234.7**	**329.5**

	Q1-4, 2019			Q1-4, 2018		
	Indoor	Retail	Outdoor	Indoor	Retail	Outdoor
Northern Europe	1,478.7	172.4	309.6	1,308.8	216.7	318.5
UK and Ireland	882.4	107.3	43.0	902.7	142.9	41.3
Western and Southern Europe	1,531.3	1,199.1	1,580.4	554.2	695.0	803.5
Africa, Asia and the Pacific	487.3	19.7	33.7	578.4	27.0	32.0
Total	**4,379.7**	**1,498.5**	**1,966.7**	**3,344.1**	**1,081.6**	**1,195.3**

Financial position

The Group's equity/assets ratio at the end of the reporting period was 42.0 (32.2)%. Cash and bank balances at the end of the period were 1,134 (808) MSEK and consolidated equity was 5,501 (2,129) MSEK.

The operating cash flow for the year of 1,007,9 (378.1) MSEK results from improved working capital control (in 2019 a reduction of 156.9 compared to an increase of 159.3 in 2018) combined with an increase in adjustments for non-cash items of 389.2 compared to 65.6 in 2018 less increased tax and financial net items paid of 99 MSEK compared to last year.

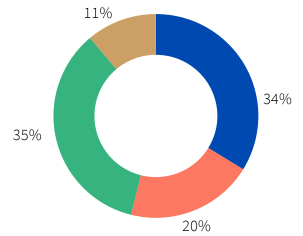
Net debt increases 1,664 MSEK from 2,073 MSEK to 3,737 MSEK. The increase, is due to 928 MSEK relating to IFRS16 accounting, (zero in 2018) with the balance being due to the term loan related to the acquisition of iGuzzini.

During the year dividends of 252 MSEK were paid and 99 MSEK was paid for earn outs related to previous acquisitions.

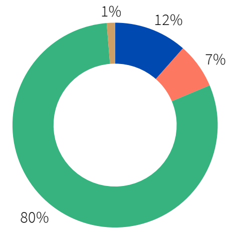
The cash flow for the year also includes the acquisition of iGuzzini 2,574 and during the second quarter the rights issue raised 2,213 MSEK and the bridge loan was repaid.

Pledged assets and contingent liabilities amounted to SEK 18.3 million (46.4) and SEK 4.1 million (1.4) respectively.

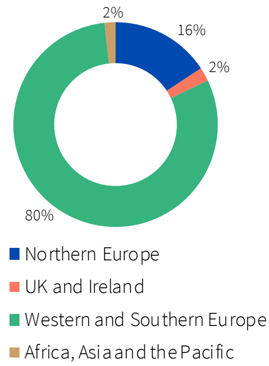
NET SALES INDOOR, Q1-4 2019



NET SALES RETAIL, Q1-4 2019



NET SALES OUTDOOR, Q1-4 2019



"The retail industry challenges cause a 15% decline, Indoor has been flat."

Rights issue

The company's rights issue was fully subscribed. The subscription period ended on 22nd May 2019 and the final count showed that 49,861,704 shares, corresponding to approximately 99.1 percent of the offered shares, were subscribed for with subscription rights.

The remaining 436,334 shares that were not subscribed for with subscription rights have been allocated to those who have applied for subscription of shares without subscription rights in accordance with the principles described in the prospectus.

Interest in the rights issue has been high and as a result the rights issue was over-subscribed by 23.2 percent.

From the rights issue Fagerhult received proceeds amounting to approximately MSEK 2,213 before deduction of issue costs. As a result of the issue, Fagerhult's share capital has increased by MSEK 28.3 to MSEK 100.2. The total number of shares has increased by 50,298,038 to 177,192,843.

The new shares subscribed for with subscription rights were registered with the Swedish Companies Registration Office in late May 2019 and trading in these new shares began in the first week of June 2019. The new shares subscribed for without subscription rights started trading in mid-June 2019. For further information refer to the press releases on 28th May and 28th June 2019.

Investments

The Group's net investments in non-current assets was 243 (123) MSEK. The figure does not include investments in subsidiaries, which were 2,672 (307) MSEK.

Acquisition of iGuzzini

PROCESS AND INTEGRATON

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

On 21st December 2018 Fagerhult signed a Share Purchase Agreement with the shareholders of iGuzzini to acquire 100% of the shares of iGuzzini.

On 7th January 2019, the board of Fagerhult called for an Extraordinary General Meeting of Shareholders (EGM) to be held on 7th February 2019.

At the EGM on the 7th February all resolutions were passed by the shareholders attending the meeting.

On 7th March 2019, the transaction was completed and Fagerhult acquired 100% of the shares in iGuzzini. The board of directors of Fagerhult, also on 7th March 2019, decided on the Issue in Kind which forms part of the purchase price for the acquisition.

The purchase price for iGuzzini amounts to 365.2 MEUR, of which 284.5 MEUR is paid in cash and 80.7 MEUR in new Fagerhult shares.

On 26th April 2019, the board of directors of Fagerhult decided on the terms for the Rights Issue. The proceeds from the Rights Issue has been used to pay down the bridging loan finance drawn down at completion on 7th March. The Rights Issue carried a record date of 6th May and the subscription period closed on 22nd May.

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

iGuzzini is a leading high-end international architectural lighting company with a strong brand and have created a successful international business with a global customer base. iGuzzini is very complementary to the Fagerhult Group both in terms of geography and product portfolio. Based in Recanati, Italy, iGuzzini is a respected lighting company with high brand awareness particularly amongst specifiers and lighting designers. Founded in 1959, the company designs, manufactures and markets professional lighting solutions for indoor and outdoor lighting areas.

For the financial year ending 31st December 2018, iGuzzini had net sales of approximately MEUR 240, an EBITDA margin of circa 14-15% and employed 1,470 employees. Fagerhult estimates significant procurement synergies as well as medium-to-longer term sales synergies and targets MEUR 8 annual EBITDA synergies by 2022.

For more information refer to the press releases on 15th October 2018, 21st December 2018, 7th January 2019, 7th February 2019, 7th & 29th March 2019, 26th April 2019 and 2nd, 13th & 28th May 2019 as well as on 28th June 2019.

PURCHASE PRICE ALLOCATION (PPA)

The tables below detail the financial effect of the acquisition for the total consideration as well as the assets and liabilities arising and the net change in consolidated cash and cash equivalents.

This analysis is the final PPA analysis.

On 7th March 2019, Fagerhult signed an agreement to acquire 100% of the shares of iGuzzini and the purchase price for iGuzzini amounts to 365.2 MEUR, of which 284.5 MEUR is paid in cash and 80.7 MEUR in new Fagerhult shares.

iGuzzini has been consolidated in the Western and Southern Europe business area from the 1st March 2019.

THE CONSIDERATION CONSISTS OF THE FOLLOWING COMPONENTS

Cash paid	2,993.6
Fagerhult shares, issued through an issue in kind (11,244,805 shares)	826.5
Total consideration	**3,820.1**
Net assets acquired	3,125.7
Goodwill	**694.4**

THE ASSETS AND THE LIABILITES ARISING FROM THE ACQUISITION

	Fair value
Cash and cash equivalents	419.9
Property, plant and equipment	1,338.8
Financial assets	98.9
Intangible assets	2,182.6
Inventories	516.9
Receivables	621.1
Liabilities	-1,378.9
Deferred tax liabilities	-640.1
Net assets	**3,159.2**
Non-controlling interests	-33.5
Net assets acquired	**3,125.7**
Cash purchase consideration	2,993.6
Cash and cash equivalents in the acquired company	-419.9
Change in consolidated cash and cash equivalents on acquisition	**2,573.7**

Employees

The average number of employees during the period was 4,465 (3,384).

Parent company

AB Fagerhult's operations comprise Group Management, financing and business development activities. The profit after financial items was 144.0 (-3.8) MSEK.

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

Dividend

The Board intends to propose that the Annual General Meeting approve a dividend of SEK 1.50 (2.00) per share. This is based on 176 (127) million shares.

Accounting principles

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual accounts Act. The information for the interim period on pages 1-18 is an integral part of this financial report.

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

Applied accounting principles are unchanged in comparison with those described in Fagerhult's annual report for the financial year 2018 except that AB Fagerhult from

January 1, 2019 applies IFRS 16 Leases. The implementation of the new standard has some effect on the financial reports.

The parent company, AB Fagerhult, has chosen not to apply IFRS 16 Leases but have instead from January 1, 2019 applied RFR 2 IFRS 16 Leases.

On Business area level, Fagerhult will not apply IFRS 16. It will only be applied on the Group level. The segment reporting for 2019 will thus be unchanged compared to 2018.

For information on the effects of the transition to IFRS 16, see page 18. Accounting principles according to IFRS 16 follows below.

LEASING

The group leases consist mainly of factories, offices and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Since the opening balances for 2019 has been reported in accordance with IFRS 16, all right-of use assets have been valued at the value of the lease liability, with adjustment for prepaid lease payments attributable to the agreements as of January 1, 2019.

Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment that are based on an index

The lease payments are discounted using the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options:

Options to extend or terminate contracts are included in the asset and liability as it is reasonably certain that they will be exercised. These terms are used to maximise operational flexibility in terms of managing contracts.

Risks and uncertainties

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

The most prominent risks, however, are currency risks arising from export sales and imports of raw materials and components. This exposure is reduced by hedging the flow of sensitive currencies, based on individual assessment. Currency risk also arises in the translation of foreign net assets and earnings. For more information about the company's risks, refer to the 2018 Annual Report. In addition to the risks described in the company's Annual Report, no other significant risks are considered to have arisen.

Nomination committee

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

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

Repurchase of shares

The Annual General Meeting, held on 13th May 2019, authorised the Board to decide to acquire the company's own shares. No acquisitions of the company's own shares have been made. The company's holding of treasury shares totals 1,056,544.

Outlook for 2020

During the last two years, acquisitive growth has led to a strong positive sales and earnings trend for the Group. Organically, for the same period, net sales have declined.

During this period the Group's main markets have displayed mixed activity levels and overall we experience a reduction in volume driven by weaker than expected demand. The retail segment continues to provide headwinds as the industry undergoes a change.

The global installed base of LED luminaires remains low which is a significant opportunity for Fagerhult, especially with connected solutions. A further significant opportunity is the strategic alignment process that has been developed during the year and is now in the communication and implementation phases. The strategy will be worked on in the new business areas during 2020 and will begin to impact from Q4 and into 2021.

The Group's medium-to-long term strategy continues to include further acquisitions, both geographically in new markets and technology led acquisitions. The Group has a more balanced regional and operational footprint and the acquisition of iGuzzini, Veko, WE-EF and LED Linear in recent years creates significant opportunity to strengthen our position in many geographical and product areas, this is at the heart of the strategic alignment and the new business area set up.

For the future, the focus is on strategic alignment across the Group's brands to address the market and align with common stakeholders. The Group is in a strong position with healthy margins and through a successful implementation of the strategic alignment, management believe in the ability to return to organic growth and to grow market shares despite the overall weaker demand in some regions.

"In 2020 we will work on the next phase of strategic alignment and further develop our connectivity approach."

Habo, 18th February 2020
AB Fagerhult (publ)

Bodil Sonesson
President and CEO

This report has not been subject to a review by the company's auditor.
In 2020, interim reports will be submitted on 5th May, 18th August and 23rd October.
The Annual General Meeting will be held on 5th May 2020 in Habo.

Information can be obtained from;

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Michael Wood, CFO, +46 73087 4647

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Group

INCOME STATEMENT

	2019 Q4 3 months	2018 Q4 3 months	2019 Q1-4 12 months	2018 Q1-4 12 months
Net sales	2,129.3	1,488.1	7,844.9	5,621.0
Cost of goods sold *	-1,296.1	-914.8	-4,794.6	-3,474.2
Gross profit *	**833.2**	**573.3**	**3,050.3**	**2,146.8**
Selling expenses *	-479.9	-281.0	-1,698.3	-1,035.9
Administrative expenses *	-165.1	-122.8	-630.7	-467.0
Other operating income	18.6	175.0	73.5	200.8
Other operating expenses	-	-138.9	-	-138.9
Operating profit *	**206.8**	**205.6**	**794.8**	**705.8**
Financial items *	-31.3	-10.4	-99.1	-39.1
Profit before tax *	**175.5**	**195.2**	**695.7**	**666.7**
Tax *	-49.3	-41.0	-180.9	-163.6
Net profit for the period *	**126.2**	**154.2**	**514.8**	**503.1**
Net profit for the period attributable to shareholders of the Parent Company *	124.9	154.2	508.4	503.1
Earnings per share, based on earnings attributable to shareholders of the parent during the year:				
Earnings per share before dilution, SEK *	0.71	1.35	3.32	4.39
Earnings per share after dilution, SEK *	0.71	1.35	3.32	4.39
Average number of outstanding shares before dilution	176,136	114,500	153,274	114,497
Average number of outstanding shares after dilution	176,136	114,500	153,274	114,497
Number of outstanding shares, thousands	176,136	114,500	176,136	114,500
STATEMENT OF COMPREHENSIVE INCOME				
Net profit for the period *	**126.2**	**154.2**	**514.8**	**503.1**
Other comprehensive income				
Items which may not be reversed in the income statement:				
Revaluation of pension plans	-3.0	-0.7	-7.2	-0.7
Items which may be reversed in the income statement:				
Translation differences	-146.9	14.1	52.3	-39.5
Other comprehensive income for the period, net after tax *	**-149.9**	**13.4**	**45.1**	**-40.2**
Total comprehensive income for the period *	**-23.7**	**167.6**	**559.9**	**462.9**
Comprehensive income attributable to shareholders of the Parent Company *	-25.0	167.6	553.5	462.9

* Impacted by IFRS 16 from 2019-01-01

BALANCE SHEET

	31 Dec 2019	31 Dec 2018
Intangible assets	6,042.2	3,159.9
Tangible fixed assets *	2,807.8	703.1
Financial assets *	204.9	52.1
Inventories	1,247.1	857.4
Accounts receivable - trade	1,426.8	925.0
Other non-interest-bearing current assets *	229.8	115.3
Cash and cash equivalents	1,133.5	808.4
Total assets	**13,092.1**	**6,621.2**
Equity *	5,501.2	2,129.2
Long-term interest-bearing liabilities *	4,648.2	2,465.1
Long-term non-interest-bearing liabilities	1,167.1	584.0
Short-term interest-bearing liabilities *	222.1	416.1
Short-term non-interest-bearing liabilities	1,553.5	1,026.8
Total equity and liabilities	**13,092.1**	**6,621.2**

* Impacted by IFRS 16 from 2019-01-01

CASH FLOW STATEMENT

	2019 Q4 3 months	2018 Q4 3 months	2019 Q1-4 12 months	2018 Q1-4 12 months
Operating profit *	**206.8**	**205.6**	**794.8**	**705.8**
Adjustments for non-cash items *	195.6	6.6	389.2	65.6
Financial items *	-31.5	-10.5	-89.6	-39.1
Tax paid	-66.7	-47.1	-243.4	-194.9
Funds contributed from operating activities *	**304.2**	**154.6**	**851.0**	**537.4**
Change in working capital	75.1	132.8	156.9	-159.3
Cash flow from operating activities *	**379.3**	**287.4**	**1,007.9**	**378.1**
Cash flow from investing activities	-46.2	-7.0	-2,904.9	-414.6
Cash flow from financing activities *	-316.6	5.8	2,193.5	-124.1
Cash flow for the period	**16.5**	**286.2**	**296.5**	**-160.6**
Cash and cash equivalents at beginning of period	1,134.8	526.6	808.4	949.9
Translation differences in cash and cash equivalents	-17.8	-4.4	28.6	19.1
Cash and cash equivalents at end of period	**1,133.5**	**808.4**	**1,133.5**	**808.4**

* Impacted by IFRS 16 from 2019-01-01

KEY RATIOS AND DATA PER SHARE

	2019 Q4 3 Months	2018 Q4 3 Months	2019 Q1-4 12 months	2018 Q1-4 12 months
Sales growth, %	43.1	12.7	39.6	8.7
Growth in operating profit, % *	0.6	19.3	12.6	4.1
Growth in profit before tax, % *	-10.1	11.0	4.3	2.2
Operating margin, % *	9.7	13.8	10.1	12.6
Profit margin, % *	8.2	13.1	8.9	11.9
Cash liquidity, % *	63.8	56.0	63.8	56.0
Net debt/EBITDA ratio *	2.8	1.3	2.9	2.0
Equity/assets ratio, % *	42.0	32.2	42.0	32.2
Capital employed, MSEK *	10,372	5,010	10,372	5,010
Return on capital employed, % *	9.2	16.5	10.8	14.8
Return on equity, % *	9.2	29.0	13.5	25.0
Net debt, MSEK *	3,737	2,073	3,737	2,073
Gross investment in non-current assets, MSEK *	53.7	30.3	242.7	159.0
Net investment in non-current assets, MSEK *	53.7	-5.4	242.7	123.3
Depreciation/amortisation/impairment of non-current assets, MSEK *	130.1	183.0	478.8	320.3
Number of employees	4,454	3,376	4,465	3,384
Equity per share, SEK *	31.23	18.60	31.23	18.60
Number of outstanding shares, thousands	176,136	114,500	176,136	114,500

* Impacted by IFRS 16 from 2019-01-01

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

CHANGES IN EQUITY

	Attributable to shareholders of the Parent Company					
	Share capital	Other contributed capital	Reserves	Retined earnings	Non-controlling interest	Total equity
Equity at 1 January 2018	**65.5**	**205.0**	**-198.7**	**1,818.7**		**1,890.5**
Net profit for the period				503.1		503.1
Other comprehensive income			-39.5	-0.7		-40.2
Total comprehensive income for the period			-39.5	502.4		462.9
Performance share plan				4.8		4.8
Dividend paid, SEK 2.00 per share				-229.0		-229.0
Equity at 31 December 2018	**65.5**	**205.0**	**-238.2**	**2,096.9**		**2,129.2**
Equity at 1 January 2019	**65.5**	**205.0**	**-238.2**	**2,096.9**		**2,129.2**
Net profit for the period				508.4	6.4	514.8
Other comprehensive income			52.3	-7.2		45.1
Total comprehensive income for the period			52.3	501.2	6.4	559.9
Acquired Non-controlling interest					33.5	33.5
Issue in kind (11,244,805 shares)	6.4	820.2				826.6
Rights issue (50,298,038 shares), net amount, after issue costs	28.3	2,169.4				2,197.7
Performance share plan				5.8		5.8
Dividend paid, SEK 2.00 per share				-251.5		-251.5
Equity at 31 December 2019	**100.2**	**3,194.6**	**-185.9**	**2,352.4**	**39.9**	**5,501.2**

Parent company

INCOME STATEMENT

	2019 Q4 3 Months	2018 Q4 3 Months	2019 Q1-4 12 Months	2018 Q1-4 12 Months
Net sales	2.6	4.3	13.8	15.1
Administrative expenses	-10.6	-9.7	-52.0	-50.5
Other operating income	-0.2	-	-	-
Operating profit	**-8.2**	**-5.4**	**-38.2**	**-35.4**
Income from shares in subsidiaries	62.0	-	143.8	58.8
Financial items	41.2	-0.2	38.4	-27.2
Profit before appropriations and tax	**95.0**	**-5.6**	**144.0**	**-3.8**
Group contributions received	268.0	260.0	268.0	260.0
Changes in tax allocation reserve	-	8.6	-	8.6
Tax	-57.8	-45.8	-57.8	-45.8
Net profit	**305.2**	**217.2**	**354.2**	**219.0**

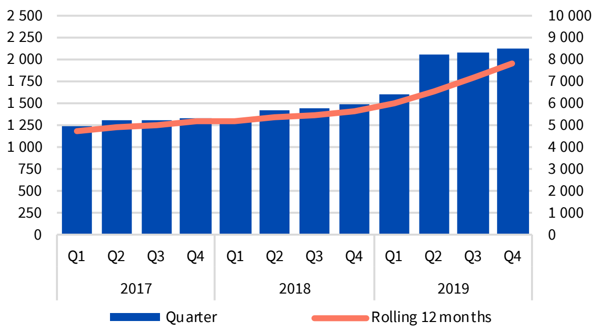
BALANCE SHEET

	31 Dec 2019	31 Dec 2018
Financial assets	7,889.8	3,796.4
Other receivables	196.0	46.9
Cash & Bank	325.7	328.7
Total assets	**8,411.5**	**4,172.0**
Equity	3,824.1	694.0
Long-term interest bearing liabilities	3,423.9	2,706.8
Long-term non interest bearing liabilities	0.2	1.7
Short-term interest bearing liabilities	1,114.3	740.6
Short-term non interest bearing liabilities	49.0	28.9
Total Equity and Liabilities	**8,411.5**	**4,172.0**

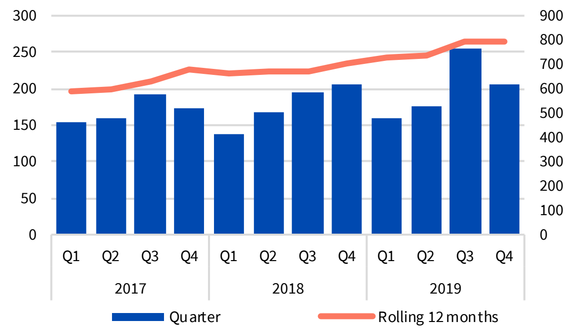
CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2018	**65.5**	**159.4**	**475.4**	**700.3**
Performance share program			3.7	3.7
Net profit for the period			219.0	219.0
Dividend paid, SEK 2.00 per share			-229.0	-229.0
Equity at 31 December 2018	**65.5**	**159.4**	**469.1**	**694.0**
Issue in kind (11,244,805 shares)	6.4		820.2	826.6
Rights issue (50,298,038 shares), net amount, after issue cost	28.3		2,169.4	2,197.7
Performance share plan			3.1	3.1
Net profit for the period			354.2	354.2
Dividend paid, SEK 2.00 per share			-251.5	-251.5
Equity at 31 December 2019	**100.2**	**159.4**	**3,564.5**	**3,824.1**

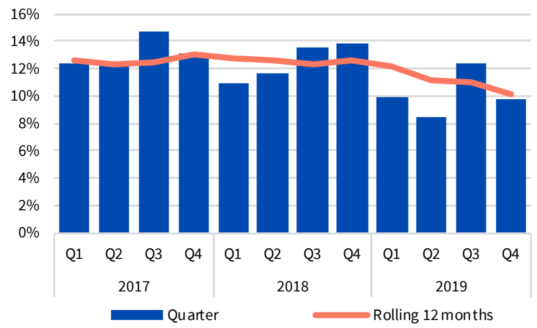
NET SALES, MSEK



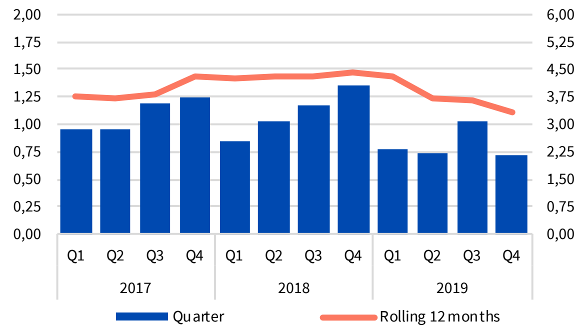
OPERATING PROFIT, MSEK



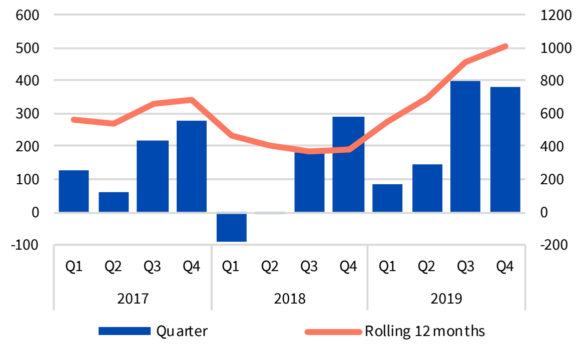
OPERATING MARGIN, %



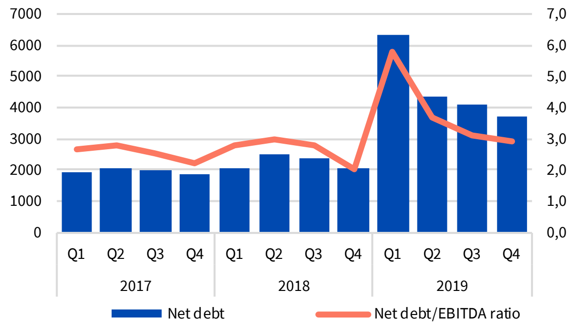
EARNINGS PER SHARE, SEK



OPERATING CASHFLOW



NET DEBT AND NET DEBT EBITDA RATIO

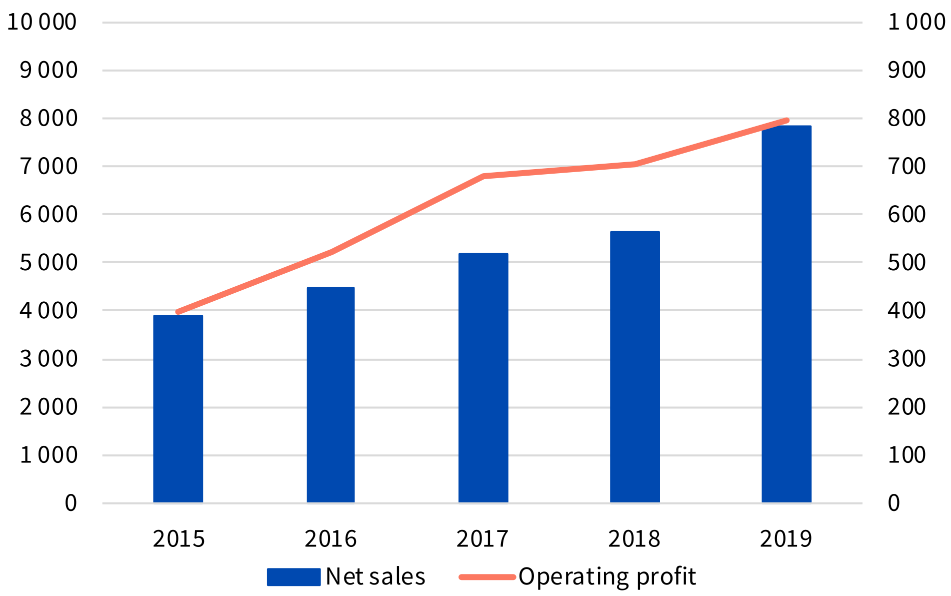


KEY RATIOS AND DATA PER SHARE

	2015	2016	2017	2018	2019
Net sales, MSEK	3,909.4	4,490.7	5,170.3	5,621.0	7,844.9
Operating profit, MSEK *	396.0	524.2	677.9	705.8	794.8
Profit before tax, MSEK *	377.2	514.7	652.5	666.7	695.7
Earnings per share, SEK *	2.54	3.35	4.32	4.39	3.32
Sales growth, % *	4.6	14.9	15.1	8.7	39.6
Growth in operating profit, % *	4.6	32.4	29.3	4.1	12.6
Growth in profit before tax, % *	8.4	36.5	26.8	2.2	4.3
Operating margin, % *	10.1	11.7	13.1	12.6	10.1
Net debt/EBITDA ratio *	1.9	1.9	2.2	2.0	2.9
Equity/assets ratio, % *	38.4	33.8	31.0	32.2	42.0
Capital employed, MSEK *	2,846	3,581	4,670	5,010	10,372
Return on capital employed, % *	14.4	16.8	16.8	14.8	10.8
Return on equity, % *	20.9	24.9	28.1	25.0	13.5
Net debt, MSEK *	937	1,222	1,830	2,073	3,737
Net investment in non-current assets, MSEK *	117.9	169.0	177.1	123.3	242.7
Depreciation/amortisation/impairment of non-current assets, MSEK *	107.3	121.2	158.2	320.3	478.8
Number of employees	2,451	2,787	3,241	3,384	4,465

* Impacted by IFRS 16 from 2019-01-01

NET SALES AND OPERATING PROFIT, MSEK



New accounting principles IFRS 16 Leases

This note explains the effects in the Group's financial report when applying IFRS 16 Leases. In the balance sheet, the following adjustments were made regarding IFRS 16 Leases:

IFRS 16 BALANCE SHEET ADJUSTMENTS

	Closing balance	Impact of transition to IFRS 16	Opening balance	IFRS 16 impact
	31 Dec 2018		1 jan 2019	31 Dec 2019
Tangible fixed assets	703.1	797.0	1,500.1	931.2
Financial assets	-	-	-	3.7
Other non-interest-bearing current assets	115.3	-13.0	102.3	-18.7
Equity	-	-	-	-11.8
Long-term interest-bearing liabilities	2,465.1	668.7	3,133.8	779.7
Short-term interest-bearing liabilities	416.1	115.3	531.4	148.3

In the income statement, the following adjustment were made regarding IFRS 16 Leases:

IFRS 16 INCOME STATEMENT ADJUSTMENTS

	IFRS 16 impact 2019 Q1-4 12 months
Reversal of leasing costs under IAS 17	166.7
Depreciation	-160.4
Operating profit	6.3
Profit before tax	-15.7
Net profit for the period	-11.8

The Group has applied IFRS 16 Leases from January 1, 2019, which resulted in changed accounting policies and adjustments in the amounts reported in the financial report. In accordance with the transition provisions in IFRS 16 has the group applied the simplified transition method and therefore has not restated comparatives. All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases,
the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.